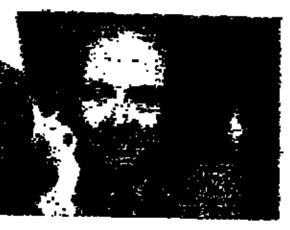
FINANCIAL TIMES

Start the week with...



France on the rack
Will Juppé keep his nerve?
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Keith Wheatley
Sport: moneymen moving into rugby
Page 14

Today's survey
International fund management
Pages 27-29

World Business Newspaper — MONDAY DECEMBER 4 1995 — D8523A

Suez to cut staff and shake up property holdings

French industrial and financial holding company Suez is set to announce tomorrow plans to restructure the management of its property investments and to cut the number of staff in its Paris headquarters by more than half. The group will transfer nearly all its remaining property holdings into its Crédisuez subsidiary and appoint an executive to take control of their management and sale over the next few years. Page 19

Ulster loyalists urged to hand in arms: Ulster Unionists signalled a more proactive approach to the new phase in the Northern Ireland peace process by suggesting to loyalist paramilitaries that they take the lead in handing over weapons. Page 7

EU energy deal likely: A deal to end the six-year deadlock over liberalisation of Europe's energy markets could be sealed within weeks, bringing down energy prices for EU consumers and industry. Page 2

Ex-South Korean leader held: Chun Doo-hwan, who ruled South Korea for eight years from 1980, was arrested on charges of staging an army mutiny in 1979 that paved the way for his takeover of power. Page 18; Ghosts of Kwangju, Page 4

Spanish bank plans restructuring: Spanish banking group Banco Central Hispano-americano announced measures to complete a financial restructuring which will involve drawing on reserves to make special provisions and paying a sharply reduced dividend. Page 22

Tokyo trading house buys Amec shares: Japanese trading house Nissho Iwai has been buying shares in Amec, the UK construction group which is the subject of a hostile takeover bid from Norwegian engineering group Kvaerner. Page 20

Compass to sell healthcare arm: Compass, the world's biggest contract catering group, is on the verge of selling its healthcare division to its management for about £175m ($277m). Page 20

Greeks start search for PM's successor: Greece's governing Socialists launched the search for a successor to prime minister Andreas Papandreou, who is still in intensive care after suffering a bout of pneumonia two weeks ago. Page 3

Brussels to ratify shipbuilding accord: The European Commission plans to ratify an international agreement to phase out shipbuilding subsidies, even if other signatories have not given legislative approval to the accord. Page 6

Europe likely to help build Asian Airbus: China indicated that a European consortium was likely to win the right to participate in production of a 100-seat passenger aircraft, to be called the Asian Airbus or the AE-100. Page 5

Institutions cast doubt on Granada bid: Some of the largest investors in UK television and leisure group Granada are expressing serious doubts about the company's £3.3bn ($5.2bn) bid for hotel and catering group Forte, which they see as a risky diversification. Page 19; Lex, Page 18

C&W seeks advice over pay-off for Young: UK telecoms group Cable and Wireless is seeking legal advice on commitments contained in a letter said to be central to negotiations over a pay-off to Lord Young of Graffham, the group's former chairman. Lord Young, deposed two weeks ago, is seeking a pay-off worth more than £2.5m ($4bn). Page 20

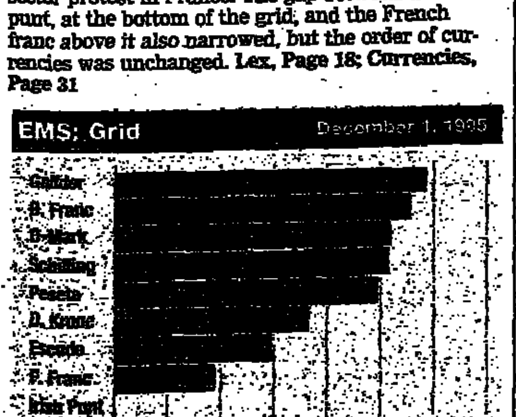
£1.1bn offer for Littlewoods: UK retail and football pools group Littlewoods received a £1.1bn ($1.7bn) bid from N. Brown, the mail order operator, and Iceland, the frozen food retailer. Page 20

Cricket record for Russell: England wicket keeper Jack Russell broke the world record for catches in a test match when he took his 11th catch on the fourth day of the second test against South Africa in Johannesburg. At close of play England were 167 for 4, needing another 312 to win. The first game of the five-match series was drawn.

US takes Davis Cup: The US won the Davis Cup tennis title, beating Russia 3-2 in Moscow. World number one Pete Sampras, who won all his matches, clinched victory by beating Russia's Yevgeny Kafelnikov 6-2 6-4 7-6.

European Monetary System: The gap between strongest and weakest currencies in the EMS grid narrowed in a week which saw the dollar rally and the French franc lose ground amid a wave of public sector protest in France. The gap between the Irish punt, at the bottom of the grid, and the French franc above it also narrowed, but the order of currencies was unchanged. Lex, Page 18; Currencies, Page 31

EMS: Grid — December 1, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	SK60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kč35	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zł4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L80,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

French crisis as strikes set to worsen

Test of strength as PM refuses to back down on reforms

By John Ridding and Andrew Jack in Paris

France's conservative government and its trade union opponents yesterday signalled a protracted test of strength as the country's worst strikes in a decade seemed likely to intensify.

Mr Alain Juppé, the Gaullist prime minister, told a crisis meeting of ministers that there could be no going back on his controversial social security reforms.

Aides said the government was pressing for discussions with union leaders, but could not compromise in its aim to eliminate the FFr60bn ($12bn) annual welfare deficit. In a bid to ease the impact of the rail strike, which has paralysed transport in Paris and disrupted travel nationally for the past 10 days, the government said it would introduce substitute services. More than 1,000 buses will ferry workers from the suburbs to the centre of the capital from this afternoon, while ferry services will operate on the Seine.

The government's firm stance won backing from President Jacques Chirac. Speaking on a visit to Africa, he said France could no longer continue along the "easy path". Union leaders warned they would step up their opposition to the welfare reform proposals and pledged to extend strike action through the public sector and to private companies. The dispute, which has already disrupted state-owned utilities, is expected to affect France Télécom, the post office and possibly hospitals this week. University students are set to demonstrate tomorrow over demands for more funding.

"This is a radicalisation," said Mr Marc Blondel, leader of Force Ouvrière, one of the unions at the forefront of the strike. "I am asking all sectors to join in the strike with one goal: the withdrawal of the Juppé plan."

Mr Louis Viannet, leader of the communist CGT, said the union would increase efforts to spread the strike to public sector companies, such as Renault, and into private businesses. He predicted a day of action, set for tomorrow, would mark a critical point in the dispute, generating "a shock wave".

Although the union movement is still divided in its opposition to the government, the stance of Force Ouvrière and the CGT confirmed a hardening in the strike and an escalation in the political challenge to Mr Juppé's government. Mr Juppé has pinned his credibility on pushing through welfare reforms, necessary to allow France to satisfy conditions for European monetary union.

A CSA opinion poll released at the weekend found that 62 per cent sided with the strikers, and that two-thirds did not have confidence in the government to resolve the conflict. However, in another poll by Sofres, 51 per cent sided with the government.

Negotiations over the weekend failed to make progress in resolving the various disputes. Student leaders condemned "a lack of real dialogue" after talks with Mr François Bayrou, the education minister, and warned of an escalation in their protests. That came despite Mr Bayrou's offer of an additional FFr369m in emergency aid to universities for 1996, and a promise to create 2,000 new teaching jobs.

The four main unions representing rail workers, who are striking against planned productivity measures as well as welfare reforms, announced they would not co-operate with a commission appointed by the government to examine reforms of retirement benefits.

A country in crisis, Page 17

France Télécom may face partial sell-off in 1996

By John Ridding in Paris

The French government is planning to sell a stake of up to 49 per cent in France Télécom, possibly next year, as part of plans to prepare the state-owned operator for the liberalisation of the European telecoms market in 1998.

Mr François Fillon, the minister for post and telecommunications, outlined plans for partial privatisation during a visit to the US last week to win support for the proposed Phoenix alliance between France Télécom, Deutsche Telekom and Sprint of the US.

France's conservative government has previously said it planned to sell a minority holding in the state telecoms operator to enable it to raise capital and seal alliances with industry partners. However, it has not specified the size of the stake to be sold, nor the possible timing of the operation.

Industry analysts, who estimate the value of France Télécom at between FFr150bn and FFr200bn ($30bn to $40bn), play down the prospect of a rapid sale.

They say the timing would largely be determined by political considerations and the progress of other big telecoms issues.

Mr Fillon said that a flotation of France Télécom would not coincide with that of Deutsche Telekom, which is expected in the second half of 1996.

Trade unions have reacted angrily to the proposal, warning of job cuts and a loss of public sector status for workers.

"Mr Fillon's declarations add fuel to the fire. They give us one more reason to protest," said the SUD union, one of the largest at France Télécom. The union was referring to a call for a strike at France Télécom today to support other public sector groups in a widening labour challenge to planned welfare reforms.

Mr Fillon's proposals were aimed partly at securing support for the Phoenix alliance from the FCC, the US telecoms regulator.

A decision on the project, which would supply services to multinational clients and would involve France Télécom and Deutsche Telekom taking a joint 20 per cent stake in Sprint, is expected by the middle of next month. The FCC has indicated that the ownership structure of the French operator will be a relevant consideration.

The government's stance also reflects its desire to push ahead with sensitive reforms at France Télécom. Faced with union protests and a wave of strikes, officials stressed no decision has yet been taken on the timing of a change in the company's legal status from an arm of the administration to a public company with its own share capital.

The change, which is necessary to allow the exchange of equity stakes with its partners and to clear the way for partial privatisation, has been obstructed by the unions and opposition. It is now expected next spring.

Reform at France Télécom has also been complicated by upheaval in the company's top management.

US President Bill Clinton (left) and Spanish prime minister Felipe González at a press conference on the US-EU summit in Madrid — Picture: Reuter

Clinton urges more EU cash for Bosnia

By Jurek Martin and David White in Madrid

President Bill Clinton yesterday warned the European Union that US support for peace-making in Bosnia might falter unless Europe came up with more money to help rebuild the war-torn republic's economy.

He told Mr Jacques Santer, head of the EU commission, and Mr Felipe González, the Spanish prime minister and current EU president, that he would have problems persuading Congress to provide any more than 20 per cent of a proposed $3bn reconstruction effort in Bosnia.

He stressed that his main task lay in preventing Congress from expressing outright opposition to the deployment of about 20,000 US troops as part of the Nato peace enforcement mission. Mr Santer responded that the EU was prepared to consider assistance of about $1.3bn, some advance on an earlier promise to contribute one-third of the total package.

But the US president and Mr Warren Christopher, the secretary of state, emphasised that assistance would be needed "fast" in order to help implement the Bosnian peace agreement. They said the US expected the EU to share the lead role in mobilising the resources of international financial institutions, an issue that will be taken up at a Brussels conference this month.

Mr Clinton was speaking after a US-EU summit meeting that wound up a five-day European tour which has been dominated by the theme of peace in Northern Ireland and Bosnia.

The president said he had given verbal orders to General George Joulwan, Nato supreme commander in Europe, despatching the first US troops towards Bosnia. About 700 soldiers, mostly communications and logistical experts comprising one quarter of the preliminary Nato "enabling force", will be on the move within the next 36 hours, mostly to staging posts in Hungary and Italy.

The president also dismissed questions that the Bosnian agreement, reached in Dayton, Ohio, last month was "in trouble" as a result of the defiance

Continued on Page 18
Clinton and EU leaders agree an ambitious agenda, Page 2

Singapore may prosecute former Barings executives

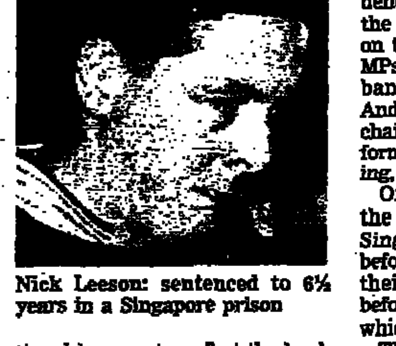
By Kieran Cooke in Singapore and James Blitz in London

Singapore authorities were believed yesterday to be considering prosecutions of former Barings executives following the conviction and sentencing to six-and-a-half years in prison of Mr Nick Leeson, the former Barings trader.

Meanwhile, three former management executives at Barings bank look set to be called before a UK parliamentary committee to give their version of the events surrounding the bank's collapse earlier this year.

As Mr Leeson began his sentence in Singapore, Mr Lawrence Ang, the main prosecution counsel, refused to say whether further prosecutions would follow. He also refused to identify which officials could be targeted by the Singapore authorities.

However, there was widespread speculation that the republic's authorities were about to launch further actions. An official Singapore report into the Barings debacle laid much of the blame on what it described as "institutional incompetence" at the bank and suggested there had been an attempt at a cover-up by senior management. In his mitigation plea, Mr John Koh, Leeson's counsel, said management had encouraged his client in his deception. Mr Koh said Mr James Bax and Mr Simon Jones, directors of Barings Futures Singapore, had known of an important balance sheet discrepancy.



Nick Leeson: sentenced to 6½ years in a Singapore prison

In London, it emerged that MPs on the powerful House of Commons Treasury select committee had agreed in principle to call Barings executives to give evidence on the collapse. Although the committee has yet to decide on the final line-up of witnesses, MPs said Mr Peter Baring, the bank's former chairman, Mr Andrew Tuckey, former deputy chairman, and Mr Peter Norris, former head of investment banking, are likely to head the list.

One committee member said the MPs would be asking the Singapore inspectors to come before the committee to discuss their report into the collapse before taking a final decision on which executives to call.

The appearance of the three men before the committee would be the first occasion on which they have been publicly questioned over how Mr Leeson's trading activities were allowed to bring about the collapse. The three gave evidence in private to the UK's Board of Banking Supervision, which concluded there had been a serious

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Clinton and EU leaders agree on crime

By Jurek Martin and David White in Madrid

President Bill Clinton and EU leaders yesterday agreed on an ambitious agenda for transatlantic relations, but differed sharply on how best to deal with Iran.

Their summit ran for longer than expected because of exchanges over Bosnia, and because Mr Clinton had objected strenuously to the EU contention that commercial connections with Iran and contacts with presumed moderates offered a way forward.

The US severely limits most contacts with Iran because of the latter's active support of terrorism. The president argued that the EU's preference for accommodation had produced no discernible results.

The US desire for closer co-operation with the EU on issues such as terrorism, drugs and international crime form part of the "new transatlantic agenda". This replaces the vague London declaration of 1990 with an "action plan" covering four specific areas.

They include commitments jointly to promote peace, stability and democracy worldwide and particularly in central and eastern Europe; lowering mutual trade barriers and expanding global trade; building cultural, social and political bridges across the Atlantic; and responding to crime, drugs and terrorism, refugees and displaced persons, environmental depredation and disease, such as Aids and the new Ebola virus.

Among sub-headings which reflect special US concerns is the commitment to strengthen democratic and economic reforms in Turkey to promote its "further integration into the transatlantic community".

No reference is made in the agenda to the mooted Tafta (Atlantic free trade area). This is mostly because the Clinton administration has decided that Congress, which approved Nafta (with Mexico and Canada) and ratified the Uruguay Round trade agreement with difficulty, is in no mood to entertain another multilateral trade accord.

Instead, the trade aspect of the agenda concentrates on the proposed OECD multilateral agreement on investment, and on a successful ministerial meeting of the World Trade Organisation next December.

There was also a commitment on a joint study to reduce or eliminate remaining bilateral tariffs between the US and EU, which Mr Mickey Kantor, the US trade representative, said would begin immediately.

At a news conference afterwards, Mr Clinton said he thought the future of transatlantic co-operation depended heavily on working together over Bosnia. Mr Jacques Santer, European Commission president, said the agreement at Dayton, Ohio, last month "shows that Europe and America can act together to promote peace, stability, democracy and freedom".

Editorial comment, Page 17

Paris and Bonn set to break energy impasse

By Emma Tucker in Brussels

A deal to end the six-year deadlock over liberalisation of Europe's energy markets could be sealed within weeks, bringing down energy prices for EU consumers and industry.

The breakthrough is being confidently predicted by industry insiders and energy ministers, who believe France and Germany are on the brink of agreeing a formula to reconcile intractable differences.

The issue will be high on the agenda at this week's Franco-German summit at Baden-Baden, as part of talks between Chancellor Helmut Kohl of Germany and President Jacques Chirac of France to agree a joint stand for next year's inter-governmental conference. "The situation should be clearer after the summit," said a EU diplomat.

Officials believe a compromise deal, involving the phased liberalisation of energy distributors, could then be reached at a EU energy ministers' council meeting in Brussels on December 14.

At present, energy supply and distribution remain largely under the control of state-owned monopolies.

A single energy market, blocked since 1989, could remove monopoly rights to generate power and supply it to customers.

The new momentum stems in part from a greater willingness in France to consider acceptance of liberalisation plans, albeit only limited. The shift in thinking is partly related to the appointment of new management at Electricité de France, the energy monopoly, which has realised the potential for its own activities from liberalisation.

In Germany, the pressure is coming from industry, increasingly concerned about its competitive disadvantages from high energy costs. Some senior officials believe a deal on energy liberalisation is being examined as part of wider trade-offs by the two nations heading the push for monetary union.

However, both France and Germany, examining a compromise offered by the current Spanish presidency of the EU, will have to tread carefully to avoid inflaming arguments with domestic lobbies.

France, already under strain from widespread industrial unrest in the public sector, will face resistance from energy unions totally opposed to liberalisation. They fear it will lead to heavy redundancies.

In Germany, however, although there is a desire for progress, industry does not want the government to accept a diluted liberalisation package under pressure from France.

The key issue to be resolved by December 14 is whether energy distributors should be included in the liberalisation deal. Countries such as Germany and the UK want outright liberalisation for suppliers and distributors, but France wants to leave distributors under monopoly control.

For now, France is only willing to accept that the very biggest companies be allowed to bypass distributors to buy directly from suppliers.

Efforts are now being made by Spain – keen for a deal before its EU presidency ends on December 31 – to forge a compromise which both countries could sell to their domestic lobbies.

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Serbs in Sarajevo face insecure future

Dayton deal has failed to provide safety guarantees

"Let those foreign politicians give away their own country," shouts a wizened old woman from Ilidza, on the outskirts of Sarajevo, from a platform draped in the red, blue and white stripes of the Serbian flag. "We will not leave our graves. We will not leave, come peace or war."

She is one of some 50,000 residents of the suburbs of Sarajevo – once mixed, now almost exclusively Serb – who are due to be transferred, under the accord signed in Dayton, Ohio, to the authority of the Moslem-led government.

Other locals are less defiant, more frightened. Ms Vesna Pandurevic, a 22-year-old mother, says she could "never stay here under a Moslem government after four bloody years of war". She fears that "we will lose our homes and have nothing."

Diplomats and UN officials say the dilemma of these Sarajevo Serbs points to one of the drawbacks of the Dayton plan: neither the Moslem-led government, nor the outside world has been able to offer these people convincing guarantees of safety.

The chances of the Sarajevo Serbs becoming one more wave of refugees will increase further as their former Moslem neighbours reclaim the homes from which they were expelled in the early months of the war.

Encouraged by local politicians, thousands of Serbs have been staging daily demonstrations against the plan, signed in Dayton by presidents Alija Izetbegovic of Bosnia, Slobodan Milosevic of Serbia and Franjo Tudjman of Croatia.

Many Serb protestors feel they have been betrayed by Mr Milosevic, who by making large territorial concessions in the Sarajevo area, has undercut the local power base of his rival, the Bosnian-Serb leader Mr Radovan Karadzic.

The fate of Serb-held Sarajevo will be an important indication of the prospects for a multi-ethnic Bosnia – a slogan which the Moslem-led government has used to win the moral support of the world.

Mr Haris Silajdzic, the Bosnian premier, basked in the adulation of Washington's foreign-policy élite last week when he pledged to recreate a state where "a man can still be a man" regardless of origins.

But there is little reason, at present, to believe the transfer of control over the Sarajevo suburbs will be anything other than one more chapter in the story of forced population exchanges. Many Serbs are already leaving, heading for Serbia proper or other parts of Serb-held Bosnia.

France's Brigadier Jean-René Bachelet, the UN commander in Sarajevo, has predicted that thousands of Serbs would burn their homes and flee rather than live under a Moslem-Croat federation.

Bosnia's President Izetbegovic did little to reassure the Serb community when he said last week that women and children would be welcome, but Serb soldiers would be "investigated" for war crimes.

In Ilidza, people point out that in wartime all male civilians are soldiers. "Our fathers are not guaranteed security. We cannot stay here without them," said one teenager.

But she added: "Even if they did give us guarantees of security for the soldiers, I don't think we could trust them."

Those Serbs who remained loyal to the Bosnian government throughout the war are keen to see their kinsmen in the outer suburbs remain in place after their districts revert to government control.

Mr Mirko Pejanovic, an ethnic Serb member of the Bosnian presidency, last week called for a general amnesty for conscripted soldiers, and deplored the fact that the mainly Moslem government was "still caught up in the terminology of war".

"In peace-time there are no soldiers, only civilians," said Mr Pejanovic, who warned that unless his advice was heeded "we will soon be back at war".

Harriet Martin and Laura Silber

EUROPEAN NEWS DIGEST

Italian election decision urged

The leader of Italy's Party of the Democratic Left (PDS) said yesterday the country had a duty to tell its European partners when they meet on December 15 whether it planned to hold early elections to end its political limbo.

"On December 15 there is a summit of European governments in Madrid and on that date we must explain to our European partners what will happen in the first half of 1996," Mr Massimo D'Alema told a political congress in Turin. "We must say whether or not there will be elections in our country during the Italian presidency of the European Union."

The next six months will be an important time for the EU as it prepares to conduct crucial institutional reforms in preparation for enlargement. Italy takes over as EU president on January 1, but Mr Lamberto Dini, the unelected technocrat prime minister appointed in January by President Oscar Luigi Scalfaro, has promised to offer to resign by the end of 1995.

Reuter, Rome

Turkey to vote on poll delay

Turkey's parliament is to reconvene today in an emergency session to decide whether to postpone general elections, just three weeks before they are scheduled to be held.

Last week, a group of 110 disaffected MPs from several parties convinced parliament's speaker to hold a vote on scrapping the elections. Most of the rebels, who constitute almost one-quarter of parliament's members, appear to be acting because their parties either refused to put their names on ballot papers or relegated them to marginal constituencies.

Mrs Tansu Çiller, the prime minister, called general elections in October following the collapse of her coalition government the previous month. Opposition MPs may also hold a vote of confidence in Mrs Çiller, who is alleged to have illegally enriched herself in office.

However, political commentators say there is little chance that parliament will approve either initiative. In opinion polls, the Islamist Refah party is currently leading, followed by the conservative Motherland party, and then Mrs Çiller's conservative True Path party.

John Barham, Ankara

Estonia army chief resigns

The army chief of the Baltic state of Estonia, a former US army colonel, was forced to resign yesterday after a row with his own defence minister. Estonian President Lennart Meri said he had asked for the resignation of Mr Aleksander Einseln because it was inappropriate for the army commander to argue in public with Mr Andrus Oovel, the defence minister.

Mr Einseln and Mr Oovel have traded insults since the defence minister rebuked him for not controlling his staff after the head of the general staff's financial department was accused of illegal arms sales. On Thursday Mr Einseln released a statement in which Mr Oovel reportedly told him to "get out of here" and that his hands were "stained with blood".

The president said Mr Einseln was burnt out and had not noticed how exhausted he was. "I made this decision with a heavy heart and in full knowledge that Lieutenant-General Einseln has given to Estonia all of his strength, love and skills," Mr Meri's statement said.

The army chief's resignation is a personal blow for Mr Meri, who took the lead in recruiting Mr Einseln after Estonia regained independence in 1991. Mr Meri said he was promoting Mr Einseln to the rank of general and asked him to train Estonian officers at the defence academy.

Reuter, Tallinn

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NEWS: EUROPE

Move reveals pessimism over Greek PM's recovery

Pasok begins search for new premier

By Kerin Hope

Greece's governing Socialists have launched the search for a successor to the prime minister, Mr Andreas Papandreou, who is still in intensive care at an Athens hospital after suffering a bout of pneumonia two weeks ago.

In a move that revealed pessimism about Mr Papandreou's chances of recovering, and an increase in internal friction over the succession, the Socialist parliamentary group said at the weekend that it would take responsibility for choosing a new prime minister.

The Onassis Cardiac Hospital said yesterday the prime minister's condition was stable but doctors have not been able to improve his breathing or kidney problems.

No date has been set for the party's 170 deputies to vote for a new leader, in keeping with the insistence by Pasok (Pan-Hellenic Socialist Movement) that the 76-year-old Mr Papandreou is still in charge, despite being heavily sedated and unable to speak because he is on a respirator.

But one senior Socialist said: "It's a matter of a couple of weeks at most."

The Socialists' decision to replace Mr Papandreou as prime minister also reflects growing concern over the volatile state of Greek financial markets. Government economic advisers have argued that prolonged political uncertainty would undermine confidence in the drachma and trigger a sharp rise in interest rates.

None of the contenders for prime minister has yet made a formal announcement but five past and present cabinet ministers are expected to become candidates. Apart from Mr Yannis Haralambopoulos, a former foreign minister in his 70s, the list is made up of younger Socialists who would be expected to lead the party into the next election, due in two years.

One front-runner is Mr Costas Simitis, a former minister who oversaw the liberalisation of Greek capital markets in the late 1980s and represents Pasok's moderate pro-European faction.

He is backed by deputies representing the Socialist trade unions and reformists who are committed to Greek participation in EU economic and monetary union.

The other is Mr Akis Tsochatzopoulos, minister for public administration and a leader of Pasok's hardline faction, which recently called for lifting the restraints on wage and pension increases which are seen as crucial to achieving economic convergence with the rest of the EU.

The two outsiders, Mr Gerasimos Arsenis, defence minister, and Mr Apostolos Kaklamanis, speaker of parliament, both have more in common with Pasok's populist faction than with the reformists.

None of the candidates can boast the charisma of Mr Papandreou, who founded Pasok 21 years ago, keeping united its diverse factions, ranging from Marxist to European social democrat, through skilful displays of autocratic leadership and sudden policy switches.

However, Mr Papandreou may still influence the leadership contest from hospital by indicating which contestant he favours. Otherwise, analysts give Mr Simitis a slight edge in the race because of his track record in senior cabinet posts and because he shows a talent for compromise that is rare in Greek politics.


Simitis: liberaliser


Tsochatzopoulos: hardliner

Germany's insider traders on the run

By Andrew Fisher in Frankfurt

Germany's insider traders are finally on the run. After years in which investors, especially abroad, complained that insider dealing was allowed to flourish unpunished, new criminal sanctions are starting to bite.

The latest offender to be exposed is Mr Heinz Schwake, a 62-year-old Frankfurt broker, who was fined DM150,000 (£68,500) on Friday for misusing privileged trading information and threatened with a further DM540,000 fine if he reoffends within a year.

This is the second conviction since insider dealing was outlawed in August 1994. The first, of DM600,000, was imposed three months ago on a member of the family controlling the Krones bottling machinery maker. Mr Harald Kronseder, administrator of the family shareholding, sold shares before the company announced trading problems which depressed the share price in November, 1994. Up to DM1.8m more is payable if he reoffends within two years.

To give the anti-insider law proper teeth, a new watchdog – the Federal Supervisory Office for Securities Trading (BAWe) – began operations at the start of this year. Mr Georg Wittich, its president, is glad there are now two convictions to show for its efforts to date.

"It has demonstrated to the market that we are doing our work. The deterrent effect is also important."

Frankfurt bankers generally endorse this. "This is very good news," one commented about the latest fine. "It shows that things are getting serious. Such action was overdue." As far as Frankfurt's 41 official brokers (who match buyers and sellers and thus have a privileged view of price trends) were concerned, he added: "You can bet the market is pretty clean now."

For Mr Wittich, however, it is not just a question of sending shivers down the spines of those profiting from inside information or contemplating doing so. He feels it vital that a proper awareness of the damage done to investors' confidence by insider trading should permeate the financial scene.

"Beyond the deterrent effect, we want to achieve a change of consciousness among those in the market so that insider dealings are regarded as harmful. We think we are making progress." Apart from the immorality of insider dealings, he stresses, there is also a competitive aspect.

For big foreign investors and international securities authorities, the previous lack of insider controls and of a proper securities body was a blot on Germany's financial market reputation. "This was an untenable situation for one of the biggest securities markets in the world," Mr Wittich says.

Frankfurt is the world's fourth largest stock exchange, accounting for some 75 per cent of all share dealings in Germany. It was the government's realisation that German markets needed to be brought legally and structurally up-to-date to help attract capital and boost the underdeveloped equity culture that prompted the legal reforms.

As well as the insider crackdown, these also included an obligation on quoted companies to publicise price-relevant information promptly, and to disclose share stakes of above 5 per cent (instead of the previous 25 per cent). The BAWe is charged with enforcing all of these.

"The idea of the new law is to make markets more transparent for all investors," Mr Wittich says. This year, company announcements of market-moving news such as profit forecasts, investment plans and trading progress will total 1,400; previously, much of this would have been revealed haphazardly or not at all. Companies which do not do this can be fined up to DM3m.

The maximum penalty for insider trading is five years' imprisonment. The size of fines depends on the severity of the offence, and profits must be handed over to the state. So far, the BAWe has uncovered possible evidence of insider trading in more than 20 cases, narrowing this down to a handful which have been passed on to state prosecutors.


Wittich: "untenable situation"

Other cases are pending. Mr Wittich declines to mention names, but prosecutors have said they are investigating dealings in Klockner-Humboldt-Deutz, an engineering company. KHD announced a costly refinancing package in January, with its shares falling ahead of the news.

However, Frankfurt prosecutors say they are not probing further cases of trading manipulation for gain by brokers. In Mr Schwake's case, the profits (made on behalf of others, such as his daughter) were not large, ranging between DM1,300 and DM13,000 in 12 instances this year.

But his position of trust as a trading specialist in shares such as Siemens electronics and SAP software meant the authorities took the case seriously. "The market must have trust in the brokers," Mr Wittich says. There is no evidence, though, that offences such as Mr Schwake's are widespread in the broking community, he adds.

If German stock markets – there are eight in all, with Dusseldorf and Munich the next largest – move to full electronic trading, such manipulation will become impossible as floor trading ends. Computerised trading is still the subject of intense discussion, with the result yet to be agreed.

But the BAWe will have powerful electronic support from January. Insiders will be harried by that most unfeeling and impartial of all detectors: the computer. BAWe's stock-watch system will pick up any unusual dealing trends, as it scrutinises every securities trade in Germany – between 200,000 and 300,000 a day. Mr Wittich hopes even the most hardened insiders will quail under its harsh digital gaze.

Green delegates edge towards the main stream

Ties now mingle with the prams, reprts **Michael Lindemann** from the Bremen party conference

Some of the delegates at the German Green party conference over the weekend were still knitting jumpers. There was even the occasional pram to be seen, to remind observers of the party's origins as a motley collection of ecologists, feminists and pacifists. But much else had changed.

Where once speakers had gone on for hours on end, the main speeches were now strictly limited to 10 minutes. Leading members of the party still traded accusations with one another, accompanied by wolf whistles and interruptions from the 750 or so delegates, but then shook hands and shared a beer. A handful of the Green delegates even sported ties.

The Greens, gathered in the port city of Bremen, have moved so far under the forceful leadership of Mr Joschka Fischer that they had a five-hour debate on what Die Tageszeitung, the newspaper closest to the party, described as the "last great fundamental question" – could the Greens ever condone the use of military force?

The pacifists won but Mr Ludger Volmer, who competes with Mr Fischer to shape the Greens' foreign policy agenda, had to declare publicly that the party's vote was not to be interpreted as a sign of the anti-Americanism which characterised the party in the 1980s.

In the end 38 per cent of the delegates backed a motion to deploy German troops as part of a United Nations peacekeeping force. After the fall of the so-called safe areas in Bosnia this summer, Mr Fischer, the party's de facto leader, had argued that the Greens must be ready to use force to prevent genocide.

As expected he received a frosty reception from the party's delegates. A handful tried to interrupt his speech by marching on to the rostrum, and several bellowed "Helmut, Helmut" to show their distaste for the evidently improving ties between Mr Fischer and Chancellor Helmut Kohl, a joviality which delegates suspect goes beyond their shared love of food.

But Mr Fischer still pulled off a coup. The support for his motion was a significant improvement on the result two years ago, when just 10 per cent voted at an extraordinary party meeting in Bonn to back the same motion.

Members of the Greens' parliamentary caucus said that it was another example of how the party's deputies, led by Mr Fischer and responsible for the day-to-day policies, were dragging the more fundamentalist delegates towards a more mainstream political agenda.

But while predictions of a split in the party proved groundless, delegates warned of "tension" between the party and its parliamentary caucus which could lead to further showdowns.

In another motion, the conference "asked" the Green parliamentary party not to back Mr Kohl's coalition when it votes on Wednesday to send 4,000 German troops to former Yugoslavia, but a sizeable minority of the 49 deputies are expected to do so all the same.

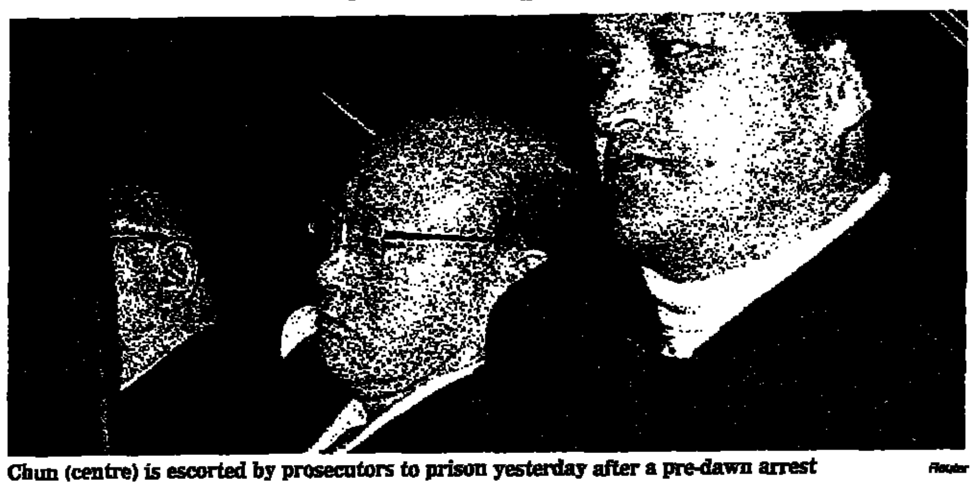
In a debate about environmental taxes, the parliamentary party argued that the new taxes could only be introduced if existing taxes are cut. Party delegates insisted that the new taxes must be levied, come what may.

Mr Fischer's supporters were careful in their speeches not to present the motion as another effort to update the party's policies and ready the party for a possible coalition government with the Social Democrats in 1998.

Privately it was a different matter. Mr Albert Schmidt, a member of the Green parliamentary party, said: "Fischer wants to try to shape policies which he can live with were he to become a future foreign minister in a coalition government."

Ghosts of Kwangju massacre return to haunt South Korea

John Burton looks at the takeover by former president Chun in 1980



Chun (centre) is escorted by prosecutors to prison yesterday after a pre-dawn arrest Reuter

On the night of December 12 1979 a young and ambitious South Korean general ordered 6,000 troops to attack his country's army headquarters and other installations in the capital Seoul.

By next morning, Major General Chun Doo-hwan was in control of the military and on track to become South Korea's president. Today Mr Chun is under arrest for his role in that bloody putsch and could pay for it with his life.

His arrest represents the final chapter in a complex 16-year political struggle that involves almost the entire leadership of South Korea, including the current president, Mr Kim Young-sam.

The often bloody battle for power has pitted the former military-backed presidents against the long-time civilian leaders, known as the "three Kims", who now dominate Korean politics.

The roots of the conflict date to 1979 when Mr Park Chung-hee, the autocratic creator of the modern Korean industrial state, was assassinated by the head of the intelligence agency, who objected to the president's tough approach to pro-democracy protesters.

The death of Mr Park left a power vacuum that was inadequately filled by his chosen successor. The three Kims were already prominent opposition leaders who hoped to gain power through promised elections, but were pushed aside by the little-known General Chun and a close aide, Mr Roh Tae-woo, who conducted a "slow-motion" coup over a 10-month period.

Having secured leadership of the army through the December mutiny and then taken over the powerful intelligence agency, Mr Chun made his next move on May 17 1980 by declaring martial law and arresting the three Kims in response to protests against the general's growing power.

The next day, black-bereted paratroopers entered the south-western city of Kwangju to put down protests against martial law. After killing scores, the paratroopers were forced to flee the city as its angry citizens staged a full-scale insurrection.

A week later, regular army troops entered Kwangju and retook it. Official records state that 200 people were killed in the revolt, although witnesses claim 2,000 died. In September 1980 Mr Chun became president after forcing Mr Park's weak successor to resign.

The events of 1980 were officially ignored in the presidency of Mr Chun and his elected successor, Mr Roh. But even the February 1993 inauguration of Mr Kim Young-sam as Korea's first civilian leader since 1961 did not change matters much. Mr Kim had joined the ruling party in 1990 and an investigation of Korea's most sensitive political issue threatened to split the party, which is still dominated by allies of the former presidents.

Opposition parties, including those led by Mr Kim Dae-jung and Mr Kim Jong-pil, earlier this year demanded prosecution of Mr Chun and Mr Roh for the 1980 coup and Kwangju massacre before the statute of limitations expired in late summer. President Kim responded by saying the matter should be left to the judgment of history. Prosecutors explained they could do little because they could not charge the leaders of a successful coup.

The corruption scandal involving Mr Roh that erupted in October changed all that. Mr Kim, whose popularity was already sliding, was further thrown on the defensive by opposition claims that he accepted large amounts of money from Mr Roh for his 1992 election campaign.

Public interest in the 1979 and 1980 coups was also raised with the televised airing of two lengthy "docudramas" on the events 15 years earlier.

Mr Kim suddenly announced 10 days ago that a probe into the coups and Kwangju massacre was being reopened and special legislation was being prepared to prosecute the two former presidents.

Both the opposition parties and Mr Chun claim the president took the action to divert public attention from his possible links with the corruption scandal. Moreover, Mr Kim is no doubt hoping that a successful prosecution of Mr Roh and Mr Chun will restore his image as a political reformer.

INTERNATIONAL PRESS REVIEW

Rush to defend the 'big dictator'

HONG KONG

By Simon Holberton

It was the *Express*, a popular Chinese-language daily, that best summed up the question in Hong Kong when it asked: "By what standard do we measure being 'patriotic'?"

It is a question many in Hong Kong are considering these days.

Indeed, with just 575 days to go before Britain hands back Hong Kong to China, it seems to many as if Beijing plans to make the last year and a half of British rule one long loyalty test.

So last week Hong Kong's media and civil service found themselves the twin objects of China's attentions, attentions that by turns alarmed and unsettled the colony's leader writers. Mr Zhang Jun-sheng, deputy director of Xinhua news agency, Beijing's de facto embassy in the Hong Kong, started it all by enjoining Hong Kong's journalists to "love the motherland".

It was an invocation that brought a robust response from the *Economic Journal*, the colony's leading financial daily.

It observed that there was no press freedom in China – that the media were subservient to the aims of the Communist party – and that it was "ridiculous" for Mr Zhang to opine on press freedom because he "cannot enjoy freedom of speech".

"From the point of view of the Chinese government, the prerequisite for loving Hong Kong is to comply with the government's policies and follow instructions from Beijing officials," the Economic Journal said.

Referring to an ancient story from Chinese history, the paper noted that "obedient officials are not necessarily loyal officials".

From this point it argued that in order for Hong Kong's media to be pro-China and pro-Hong Kong they needed to be "disobedient" rather than compliant – "too obedient is harmful to society".

The subject of "officials" and their loyalties dominated the week.

How the Hong Kong Standard's cartoonist replied to China's characterisation of governor Chris Patten as a "big dictator"

Amid a row about welfare spending, China denounced Britain's most senior official in Hong Kong, governor Chris Patten, as a "big dictator". This drew stern rebuke from the Foreign Office in London and much derisory comment from Hong Kong's newspapers.

At the same time the row was grabbing the headlines, officials from Beijing and Hong Kong embarked upon the first of a series of informal meetings with Mr Patten's top policy advisers.

Ta Kung Pao, one of Beijing's main mouthpieces in Hong Kong, took the coincidence of these two events as a positive sign.

Somewhat piously, it noted that "the fact that the meeting took place amid a row means even poor Sino-British relations cannot hamper" developing relations between Hong Kong and mainland officials.

Its stablemate *Wen Wei Po* took a similarly upbeat view of Thursday's meeting.

It was a "positive, constructive, and beneficial" meeting, the paper said, reassuring its readers that "the Chinese side makes a very clear distinction between Chris Patten and civil servants".

Ming Pao, the colony's leading broadsheet, would have none of that. It noted that Chinese officials had nothing new to say to reassure the colony's 180,000-strong civil service and hinted at duplicity in the actions of senior Chinese government officials. "They criticise Chris Patten in an extremely harsh way but when they face Hong Kong civil servants they change their faces and are friendly to them," it noted.

"The governor's policies are devised by different branch secretaries backed by public opinion," Ming Pao said. "When Chinese government officials criticise Chris Patten and his policies they are adopting a confrontational attitude towards Hong Kong government officials."

Ming Pao concluded with what has become a familiar plea in Hong Kong these days: "The request of Hong Kong people is very simple. We need reasonable co-operation, not political confrontation."

China and Vietnam to reopen border rail link

By Tony Walker in Beijing

China and Vietnam agreed at the weekend to reopen rail links severed in the late 1970s, during a brief border war that claimed the lives of as many as 20,000 people.

Agreement to re-establish the rail link across their common border indicates a further improvement of Sino-Vietnamese relations that were normalised in 1991 after years of friction.

Mr Jiang Zemin, general secretary of China's Communist party, and Mr Do Muoi, his Vietnamese counterpart, initialled a communiqué whose wording suggests progress towards the rehabilitation of fraternal ties.

The communiqué spoke of the "immense potential for the two countries to expand economic and trade co-operation" and said the two sides were resolved to "give full play" to business opportunities.

It added: "The two sides have reached an agreement in principle on railway transportation linking the two countries." The official Vietnam News Agency (VNA) reported last week the two agreed to re-establish "as soon as possible" rail crossings at Dong Dang on the border between Vietnam's Lang Son province and China's Guangzi province, and at Lao Cai on the border with Yunnan.

Sino-Vietnamese trade is expected to pass $1bn this year, more than doubling last year's total

Sino-Vietnamese trade is expected to pass $1bn (£653m) this year, more than doubling last year's total. Much of this trade is conducted through border posts that were opened after the 1991 "normalisation".

Vietnam has also indicated that it would like assistance in reconstructing some of its outdated Soviet-era factories as part of the resumption of Chinese aid cut off in the 1970s.

The official communiqué also pledged to "resolve border problems based on mutual understanding, international law and international practices and through peaceful negotiations. Differences should not adversely affect the normal development of bilateral relations.

"The two sides expressed willingness to make due effort to maintain regional peace, stability and development."

This was a reference to the long-running dispute over the oil-rich Spratly islands in the South China Sea claimed by both China and Vietnam. Beijing has proposed the joint exploitation of the Spratlys while reiterating "indisputable sovereignty" to the area.

The two sides dealt with the Taiwan issue in a manner satisfactory to Beijing, with Vietnam pledging it would maintain "only unofficial economic and trade contacts but not official relations". The Taiwanese are substantial and growing investors in Vietnam.

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Nationalists hold on in Taiwan poll

By Laura Tyson in Taipei

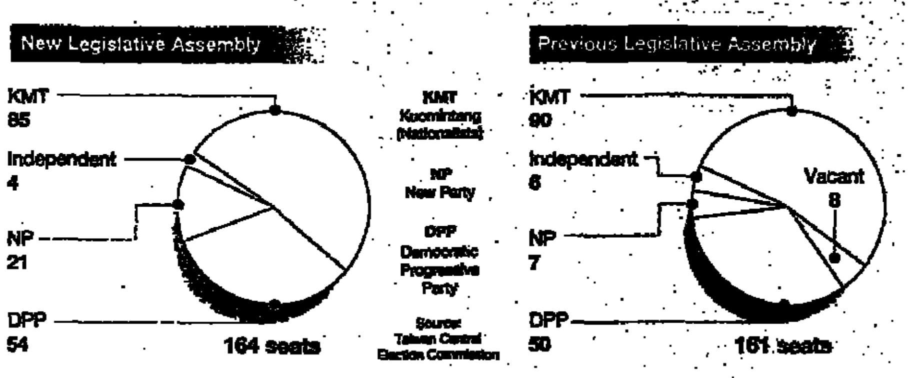
Taiwanese opposition parties made gains in parliamentary elections on Saturday, but not enough to unseat the long-ruling Nationalist party from its dominant position in the country's legislature.

The result was a setback for the Taiwanese politicians looking for a *clear indication* from voters that they support independence from the Chinese mainland.

The result was seen as an important step in Taiwan's continuing democratisation over the last decade and a victory for President Lee Teng-hui, *expected* to win the country's first directly-held presidential elections next March.

Despite sabre-rattling by China, Taiwan's arch-rival did not loom large over this election, which was dominated by local personalities and issues. Beijing regards Taiwan as a *rebel province and has stepped* up threats of military force should the island formally declare independence.

Taiwan election results



The Chinese military has intensified exercises near the island, but voters appeared more concerned by a flagging domestic economy, transportation inadequacies, environmental degradation, and a new national health insurance scheme.

Faced with the toughest *challenge to its rule in 50* years, the Nationalists, or Kuomintang (KMT), managed to muster 85 seats in the 164-seat legislature, down from 92 seats previously. The outcome defied sceptics who predicted no party would win more than half the seats, but was far less than a total endorsement, as the KMT received just 46 per cent of total votes cast. Analysts expect the KMT will face increased difficulties in passing *legislation and implementing* policy.

"Their margin is so small, that with the poor attendance record of KMT legislators and the low level of party discipline, the KMT is facing a crisis," said Mr Wu Chao-hsieh, a politics professor at Chengchih University. The party fared especially badly in the capital, Taipei, where it won just 4 of 18 seats.

The main beneficiary of *Taiwan's third* round of freely held parliamentary polls was the New party.

Founded in 1993 by disaffected former KMT members, the New party tripled its seats *to 21. "After these elections,* the New party has emerged as a force to be reckoned with in Taiwan politics," said Mr Jaw Shau-kong, the party's secretary-general.

The leading opposition group, the Democratic Progressive party, which advocates independence from the *Chinese* mainland, gained four seats for a total of 54, less than the hoped-for 60. Independents won four seats.

Turnout was nearly 68 per cent, below that of mayoral and provincial governor polls a year ago.

In one of the island's closer races, Mr Shih Ming-teh, Taiwan's best known former dissident and DPP party chairman, narrowly managed to retain his legislative seat in the southern city of Tainan.

In Kaohsiung, Ms Hsu Hsiao-dan, a former nude model and dancer, lost her bid *for the* legislature. Ms Hsu had vowed to become a Buddhist nun if she lost this election.

Manila cancels radar contract

By Edward Luce in Manila and Bernard Gray in London

President Fidel Ramos of the Philippines has cancelled a 3.5bn peso (£82m) agreement with GEC-Marconi, the electronics division of GEC, to supply a country-wide air surveillance radar for civil and military use.

A review committee set up by Mr Ramos to study the deal recommended that any radar should be used for civilian air traffic control only and that the military should not have authority to use the system.

On the basis of the committee's recommendations, Mr Ramos cancelled the deal. Officials added *that* the proposed GEC-Marconi radar system was in any case incompatible with radar technology already in use with the Philippine armed forces.

GEC said that it had not been informed of any cancellation. "If it is true, we are naturally disappointed," said the company.

Mr Ramos said yesterday that the programme would be re-opened to new tenders. *Under the revised bidding* rules the system would be for civilian use only.

The cancellation of the contract comes three weeks after an informal Philippine Senate inquiry was launched into the details of the agreement. The inquiry, lead by Senator Sergio Osmena, has not yet published findings.

Mr Osmena has claimed that the radar bid was at least 50 per cent *too* high, but this is *denied by GEC. The* contract had been closely fought between GEC and Thomson-CSF of France. Either company could rebid in a new competition.

The GEC radar deal was the first contract to be awarded since a $13bn (£8.2bn) armed *forces modernisation act* was passed last June.

The Philippine military, which has one of the most outdated defence systems in the region, has been pressing for a national radar system for years.

Singapore moves to defend reputation

Integrity and surveillance methods highlighted, writes **Kieran Cooke**

Since the beginning of the Nick Leeson affair and the whole Barings débacle back in February this year, *Singapore's regulators* have been at pains to defend the island republic's reputation as a well managed financial centre.

In particular they have sought to highlight the operational integrity and surveillance methods of the Singapore International Monetary Exchange (Simex), the vehicle through which Leeson ran up his massive trading losses.

Yet one of the intriguing *aspects of the Leeson hearings,* which ended on Saturday morning with the former trader being given a six-and-a-half year jail sentence by a Singapore court, concerns the contradictory views expressed as to whether or not Singapore and Simex suffered as a result *of the whole affair. The* hearings also raised questions about the effectiveness of the Simex surveillance system.

The court was told by the prosecution how Leeson devised "a simple, yet highly effective scheme" to fool Barings Futures Singapore *computerised settlements system* and, through that, Simex. In essence Leeson was able to disguise his true trading positions, causing Simex to miscalculate maintenance margin payments Barings Futures should make on such trades.

"Leeson discovered the old adage that no matter how sophisticated a surveillance system it is only as good as the information you feed into it," said a Singapore trader.

Senior district judge Mr Richard Magnus, in handing down his judgment, was in no doubt that Simex had been seriously affected by events. In fact, he emphasised this was one of the critical factors in his determination of the sentence.

After talking of Leeson's *"criminal enterprise" and of* the way the trader had "spun a web of deceit", Mr Magnus came to the question of Simex.

"More critically is the effect of the accused's deception on Simex ... the offences impacted Simex. Had it known the true facts, and if Barings *Futures had failed to* meet the full maintenance margin, Simex would have either suspended the trading activities of Baring Futures or would have liquidated existing current positions held by the company. Directly, however, consequent upon the accused's actions, Simex not only failed to collect from Baring Futures the requisite amount of margin needed to support the company's trade but was induced by *the accused's deception* to release to Baring Futures the purported margin excess. It placed the integrity of Simex at risk."

Mr John Koh, the chief defence counsel, put forward a different view in his mitigation plea. He pointed out that there *were no financial losses to* Simex as a result of Leeson's trades. He said the Simex chairperson, Mrs Elizabeth Sam, had disclosed that Simex had been able to return US$86m (£56m) to the liquidators of Barings Futures Singapore after unwinding the posi*tions taken by Leeson.*

"At the end of the day there was no actual loss to Simex ... there was no harm to Singapore because investors did not suffer any financial losses. There was no need for the exchange to close. In fact Simex has demonstrated its resilience and the effectiveness of its safeguards," said Mr Koh.

There was speculation in Singapore over the weekend that Leeson's defence counsel might decide to appeal what is generally considered to be a harsh sentence in the light of what was presented in court. Leeson had faced a maximum sentence of eight years for the two charges to which he pleaded guilty.

The judge took into account *the nine months already spent* by Leeson in a German jail. The former trader could win some remission through good behaviour. However there is little likelihood that he will be set free much before the end of the decade.

Leeson was said to have co-operated *fully* with *the Singa*pore authorities. An official Singapore report into the Barings affair laid much of the blame for events on what it called "institutional incompetence" at the bank. In his mitigation plea Mr Koh said that at one point Barings management had encouraged Leeson in his deception.

Local lawyers pointed out that nearly 10 years ago banks and investors lost millions of dollars and the stock exchange of Singapore was forced to close with the crash of a company called Pan Electric.

Tan Koon Swan, a Malaysian Chinese found guilty of criminal breach of trust in the affair, was fined S$500,000 (£227,000) but only jailed for *two years.*

There is also the question of whether further prosecutions of Barings senior executives will follow, with Leeson himself being called as a prosecution witness.

See Editorial Comment

INTERNATIONAL NEWS DIGEST

Europe set for China air role

China indicated at the weekend that a European consortium was likely to win the right to participate in production of a 100-seat passenger aircraft. China and South Korea are lead partners in the $2bn (£1.2bn) project. Mr Wang Ang, *vice-president of Aviation Industries of China, was quoted* by the official Xinhua news agency as saying the aircraft would be called the Asian Airbus or the AE-100.

A European consortium of Aerospatiale, British Aerospace and Alenia of Italy seems to be front-runner. Others in the race include Daimler Benz Aerospace (Dasa) of Germany, Boeing and McDonnell Douglas of the US. But it seems China, although it has six Boeings in service for every one Airbus, is leaning towards a European option, partly so as to lessen dependence on US suppliers. *Tony Walker, Beijing*

Saudi king 'suffered stroke'

King Fahd Bin Abdul-Aziz of Saudi Arabia, who is 73, suffered a "minor stroke" last week, diplomatic and business sources in Riyadh said yesterday.

A report on Saturday from Muscat, attributed to Gulf Arab diplomats, said King Fahd had "suffered a blood clot on the brain". *Diplomats in Riyadh could not confirm this.*

A statement from the Saudi royal court yesterday said King Fahd had suffered a "temporary health emergency" which required a US medical team to be flown in to treat him. His health was described as "reassuring" after the emergency, which the statement said was caused by exhaustion and work pressures. Doctors have ordered him to rest for an unspecified period, it added. *Robin Allen, Dubai*

Wider foreign access in Seoul

South Korea has announced plans to widen foreign access to its financial markets next year, as it prepares to join the Organisation for Economic Co-operation and Development.

The ceiling on the foreign ownership of listed companies will be raised, possibly to 18 or 20 per cent, from the present 15 per cent. Foreigners will also be allowed to participate in stock funds managed by Korean investment trust companies.

Seoul will proceed with scheduled plans to allow foreign companies to float won-denominated bonds and commercial paper in the Korean market, while domestic small and medium-sized companies may issue unsecured bonds exclusively to foreign investors. *John Burton, Seoul*

Broker penalised in New York

New York City has penalised the broker Merrill Lynch for its part in a secret fee-sharing agreement that involved government *agencies. As a result of the sanction,* Merrill will waive a portion of its share of the senior manager fees on the city's next three or four bond issues, which could cost it up to $1.9m.

New York City officials said the action followed the discovery of "wrongdoing" in Merrill's municipal bond dealings with state and federal entities, although the city was not involved. Merrill and Lazard Frères were censured by the US Securities and Exchange Commission in October and *ordered to pay $12m each, after the arrangement had come to* light. *Maggie Urry, New York*

■ Bangladesh's Election Commission announced yesterday that parliamentary elections would be held on January 18. Nominations must be filed by December 17 and the last date for withdrawal of candidates was December 23, it said.

Commission seeks to force subsidy phase-out

EU to ratify accord on shipbuilding cash

By Guy de Jonquières, Business Editor

The European Commission plans to ratify next month an international agreement to phase out shipbuilding subsidies, even if other signatories have not given legislative approval to the accord.

The agreement, painstakingly negotiated at the Organisation for Economic Co-operation and Development, is to take effect at the start of next year. However, ratification delays by the US, Japan and South Korea have put it in doubt.

Sir Leon Brittan, European trade commissioner, hopes that, by taking the lead, the EU can jolt other governments into action. However, his decision may face criticism from EU member states, most of which have insisted that Brussels should not ratify the accord before other signatories do so. He is expected to argue that his decision involves no risks, because the agreement cannot take effect until it has legislative approval by all the governments involved in negotiating it.

Sir Leon is also launching a diplomatic campaign to persuade other governments to speed up ratification. However, EU officials say he plans to approve the accord by the middle of next month, even if countries have still not done so.

When he visited Seoul last week, he urged the Korean government to act, though it is unclear whether his arguments had much impact.

The main stumbling block so far has been in the US, where ratification has been delayed by a heavy legislative burden in Congress and by squabbling between Democrats and Republicans. However, the Senate is to hold hearings this week on a bill to approve the accord and, in the House of Representatives, the ways and means committee is expected to start considering similar legislation soon.

In Japan, the Diet, also struggling under a heavy workload, is not expected to ratify the agreement until next month or February.

The EU Council of Ministers agreed last month to extend until next October a special regime which allows state aids to be paid to European shipbuilders.

This was a precautionary move, in case the OECD deal failed to materialise.

Israel banks urged to sell non-financial holdings

By Julian Ozanne and Mark Dennis in Jerusalem

An Israeli government committee on concentration of economic ownership yesterday recommended sweeping changes in banking regulations which would force powerful state-controlled banks to sell off parts of their non-financial assets.

The recommendations would fundamentally change the business of Israel's banking sector, place strains on profits of Bank Hapoalim and Bank Leumi, the country's two largest banks, and jeopardise government efforts to privatise all the country's banks.

The committee, headed by Mr David Brodet, finance ministry director-general, recommended:

- Banks should reduce their holdings in any single non-financial company to a maximum of 20 per cent;
- Bank Hapoalim should sell, by the end of 1998, either its 25 per cent stake in Koor Industries or its 36 per cent in Clal Israel, two of the country's biggest holding companies;
- Banks should gradually reduce their total non-financial holdings as a percentage of total capital to 15 per cent by 2001;
- Proceeds from bank divestiture of non-financial assets should be distributed as dividends to all shareholders.

The committee said the recommendations were vital to curb the power of the banks in the financial and non-financial sectors.

In Israel, Bank Hapoalim and Bank Leumi together hold 64 per cent of bank deposits, extend 62 per cent of bank credit, service 66 per cent of bank accounts and manage more than 60 per cent of the assets of the country's mutual and provident funds.

The recommendations were attacked by Bank Hapoalim. Executives said the government had yet to show evidence that bank holdings of substantial non-financial assets created economic distortions. "Our ability to be a big bank and to give loans will be decreased by these recommendations," said Mr Shimon Ravid, joint managing director. "We see [them] in a very, very negative light and we very much hope the government will not adopt them."

Concern was also expressed yesterday by investors participating in the current tender to buy a controlling stake in Bank Hapoalim. Two groups are competing to buy a 40 per cent stake at a cost of about \$750m for an implied valuation of \$1.9bn, compared with a current market capitalisation of about \$2.1bn. The first group includes Goldman Sachs, Mr George Soros and the Bromfman family of Canada, through Israel's Claridge holding company. The second group is led by Israeli businessman Mr Eliezer Fishman and includes Bear Stearns.

US 'will quit' UN industrial agency

By Ian Hamilton Fazey in Vienna

The US is to withdraw from the United Nations Industrial Development Organisation at the end of next year, according to diplomatic sources in Vienna who have been warned by Washington to expect a formal announcement early this week at the Unido conference in the Austrian capital.

Withdrawal would threaten the survival of the UN agency because the US has always been its principal paymaster, contributing about a quarter of its budget. If Unido were to close, it would be the first UN agency to do so. "The precedent would have implications for the whole UN system," one diplomat observed yesterday.

US dissatisfaction with the Unido bureaucracy and performance has risen over recent years, in spite of the appointment in 1993 of Mr Mauricio de María y Campos, a Mexican, as a reforming director-general who has made sweeping changes.

Substantial US funding has already been withheld. This year, the US said it would not pay arrears and would limit cash given for current spending to \$12.5m (£7.9m) – half what Unido was expecting.

Pressure has mounted in the US Congress to withdraw from both Unido and the UN Conference on Trade and Development since the Republican party's election victories of 1994.

Unctad was considered unnecessary by many western governments after the completion of the latest General Agreement on Tariffs and Trade and the formation of the World Trade Organisation, but the Group of 77 developing countries wants it retained to help represent their interests.

Pressure in the US for the UN to be taught a lesson in spending control has made Unido the leading candidate for punishment, mainly because of its past reputation for ineffectiveness, bureaucracy and excessive numbers of highly paid staff at its Vienna headquarters.

Mexico as a brother's keeper

Leslie Crawford and Stephen Fidler examine a corruption scandal

For six decades now, each Mexican president has hand-picked his successor and seen his reputation suffer as the new leader demonstrates independence from the man who chose him. But few have seen their standing fall so far and so rapidly as the president who stepped down only a year ago, Mr Carlos Salinas.

As he handed the sash of office to President Ernesto Zedillo, Mr Salinas was fairly popular at home and lionised abroad, backed by the US for the leadership of the new World Trade Organisation.

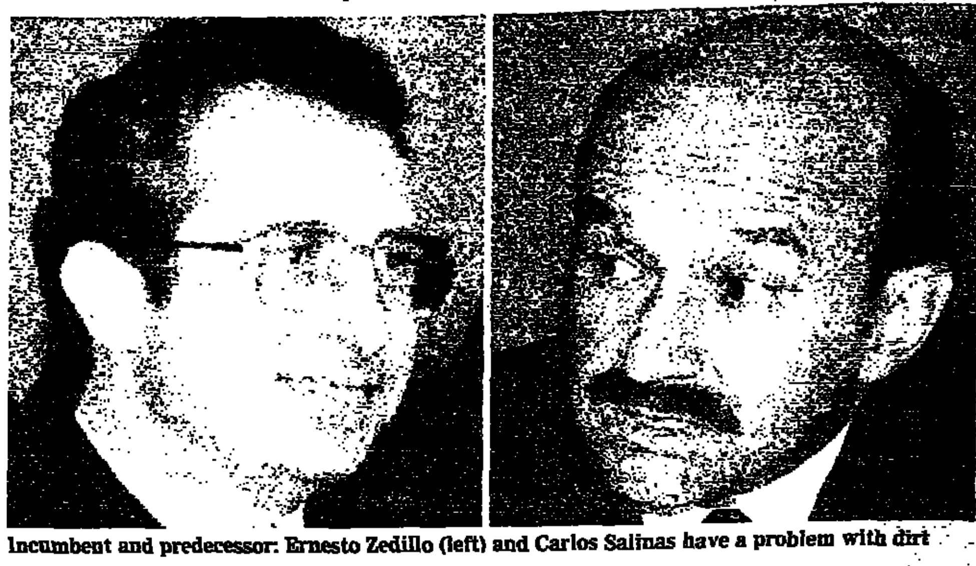
No more than weeks later, his economic achievements were called into question by a disastrous devaluation of the Mexican currency. Now, disclosures about the fortune amassed by his brother, Mr Raúl Salinas, have raised profound questions about corruption during his six-year term of office.

Raúl has been in jail since February for his alleged role in the murder of a former leader of the PRI, Mexico's ruling party, who was related to the Salinas clan by marriage. It has become clear that the evidence against him was circumstantial and may not secure conviction at a fair trial. A few days before a bail hearing, his wife was arrested in Switzerland in connection with a probe of money laundering. Paulina Castañón is alleged to have tried to withdraw money from bank accounts Raúl controlled under a false name. Police in Berne say the secret accounts held almost \$84m (£53m).

Last week, the Mexican comptroller-general's office announced it had traced 48 bank accounts and 44 properties to Raúl Salinas. These are expected to form the basis of new charges against him: of forgery and illicit enrichment.

The affair poses a deep dilemma for President Zedillo. In February, Raúl's arrest provided a useful diversion from national economic woes. The new developments are likely to seal Raúl's fate as scapegoat but they have also set in train a process that Mr Zedillo will find difficult to control.

For one thing, Mr Zedillo and most of his cabinet served under Mr Salinas so any dirt thrown at the previous administration may hit them. Also, there is wider alarm in Mexico's political and business elite at the developments. It felt comfortable with Mr Zedillo's pursuit of justice while the charges against Raúl were confined to murder. Illicit enrichment, however, is rife and is usually punished only when that serves political ends. Many who became millionaires during the Salinas administration owe something to the influence of the president's elder brother.



Incumbent and predecessor: Ernesto Zedillo (left) and Carlos Salinas have a problem with dirt

For the broader Mexican public, this has been a fascinating lesson in the workings of Mexico's political system and the party that has retained power since 1929.

So, when Mr Zedillo reiterated last week that there would be no "untouchables" in Mexico, his compatriots were no longer sure whether they were listening to old, meaningless rhetoric, or whether real changes were afoot.

"This could be the start of an Italian-style clean-up of public life," says Mr Federico Estevez, a political scientist and former adviser to the government. "It will be difficult for Zedillo's government to contain the fall-out from Raúl's trial, even if it intended to do so."

"Any thorough inquiry into the source of Raúl Salinas's wealth is likely to reveal a web of corruption that will have many businessmen and politicians running for cover," says Mr Enrique Quintana, a financial journalist. "These people are starting to get nervous. They don't believe Zedillo will be able to control events."

Mexican journalists, barred from delving into the affairs of the ruling family during Mr Salinas's presidency, are tearing into Raúl's past. Newspapers have published photographs of more than 40 properties Raúl owns in Mexico, have printed snapshots of a Spanish sweetheart on his lap, and have sought out former and present public officials willing to reveal how Raúl peddled influence, even before his brother became president.

Raúl Salinas held a series of poorly paid, non-elective government jobs between 1976 and 1992, when Carlos Salinas removed his brother from public office. He was director-general of rural roads at the public works ministry between 1977 and 1981. Between 1985 and 1991, he was a director of Conasupo, the government's marketing board for maize and other staple foods.

In a radio interview last week, Mr Antonio Lozano, attorney-general, said there were grounds to believe Raúl had ties to Mexico's powerful Gulf drug cartel, although he offered no evidence. Mr Salinas denied the accusations in a letter to his mother-in-law, made public last week: "I assure you I have never had any link with drug-trafficking or illicit activities." But he added: "I am responsible for my errors and I assume the consequences."

So far, the government has succeeded in containing the scandal to Raúl's alleged misdeeds. Neither Carlos Salinas, who fled Mexico soon after his brother's arrest, nor members of his former cabinet have been implicated in wrongdoing.

That may not last long. The opposition Revolutionary Democratic party (PRD) last week demanded that the former president be brought back to Mexico to face "political trial" before Congress over alleged irregularities in the sale of the state telecoms monopoly Telmex. The left-leaning PRD has also won a congressional vote to set up a committee to investigate alleged corruption at Conasupo, in which Raúl Salinas is expected to figure prominently.

One PRD leader, Mr Porfirio Muñoz Ledo, says the affair may provide clues about who was responsible for the assassination last year of the PRI's presidential candidate, Mr Luis Donaldo Colosio. He argues that the affair marks nothing less than the collapse of the PRI's 66-year rule and that a trial of Mr Carlos Salinas is required to expiate the sins of the ancien regime.

Mr Muñoz Ledo is bound, as an opposition leader, to make the most of the affair. But he is not alone in believing Mexican politics will never be the same again.

هكذا من الاصل

N Ireland Unionists in shift over arms handover

By John Kampfner, Westminster Correspondent

Northern Ireland's Unionists yesterday signalled a more proactive approach to the new phase in the province's peace process by suggesting to loyalist paramilitaries that they take the lead in handing over weapons.

Mr David Trimble, leader of the Ulster Unionist party, the largest unionist political party, said he had spoken with representatives of loyalist paramilitary organisations, urging them to start decommissioning in time for a report by the international body established to look into the arms issue.

The three-man body, headed by Mr George Mitchell, a senior aide to President Bill Clinton, has been given six weeks to hear submissions. It is expected to begin its task within days.

Mr Mitchell, a former Democratic leader of the US Senate, is to sit with two other members of the advisory body, Finland's former Conservative Prime Minister Harri Holkeri and Canada's defence chief General John de Chastelain.

British and Irish officials believe Mr Clinton's visit to Belfast and Dublin, and the warm response he received for what were seen as balanced appeals for concessions, has put pressure on the various parties to cooperate.

"It was a *tour de force*," said a senior UK official. "The hard men have been served notice that they're on their own."

The Anglo-Irish "twin track" initiative, announced on the eve of Mr Clinton's visit by prime ministers John Major and John Bruton, involves preliminary political talks taking place alongside the work of the commission.

Neither Mr Trimble nor Mr Gerry Adams, president of Sinn Féin, the political wing of the IRA, have given a definitive response to the strategy.

But London and Dublin hope the phrasing of their joint invitation to talks will enable all sides to take part without losing face, as it allows them to choose the format of their discussions with either or both governments.

Mr Trimble is expected to hold talks today with Mr John Hume, leader of the moderate nationalist Social Democratic and Labour party. He said said Mr Clinton's visit had provided "an excellent opportunity" to resolve the arms issue.

Mr Trimble told the BBC's *Breakfast with Frost* programme: "What we really need is for people to make a start, and if only the loyalist paramilitaries would move – even without waiting for the IRA – then I think that would deprive the IRA of any possible scintilla of justification for hanging on to their weapons."

However, Mr Gary McMichael of the Ulster Democratic party, which is close to loyalist groups, said there was "no question of any form of a physical gesture on decommissioning ahead of the IRA".

The loyalists, who accompanied their ceasefire in October 1994 with an expression of remorse and who have since taken several conciliatory steps, are resentful of pressure by mainstream Unionist politicians.

Mr McMichael said Mr Trimble's approach was "an attempt to try and manipulate the paramilitary organisations. They have had enough bitter experiences of that in the past, and they were not prepared to fall into another trap."

UK 'still favourite investment location'

By Michael Cassell, Business Correspondent

The UK remained the most popular location for overseas manufacturing investment by US companies in 1994, according to a report by financial advisers Ernst & Young.

An annual study conducted by E&Y Kenneth Leventhal Real Estate, the company's US property arm, shows the UK was the chosen location for 132 US-financed manufacturing projects last year, more than twice the number recorded in France or Germany and three times the number located in Japan.

The survey results, analysing 675 overseas investments by US companies last year, were welcomed by Mr Tim Eggar, the industry minister, who said inward investment was bringing substantial benefits to the UK economy.

Mr Eggar added: "Foreign-owned manufacturing companies tend to pay more, invest more and export more while British-owned firms, particularly those in local supply chains, are learning new techniques and best practice from world-beating companies."

The study says US companies continued to be attracted by the EU's integrated economy, labour costs and its liberal regulatory climate. The UK's share of all US investment in the EU rose to 37 per cent, almost double the level achieved three years earlier.

But the study also revealed that while Europe remained the preferred overseas location for US manufacturers, its lead in 1994 was increasingly being challenged by some of the emerging markets.

China, for example, was 13th in the league of foreign destinations for US manufacturers in 1991 but last year the number of incoming US projects doubled to 71, taking it to second after the UK. Brazil and Mexico also took a rising share of US manufacturing activity and the study suggests that US investment interest in India, which declined last year, should soon rise again.

UK NEWS DIGEST

Employers' chief warns on European pay disparities

Labour market rigidities could endanger a future European economic and monetary union, making business uncompetitive, warned Mr Adair Turner, director-general of the Confederation of British Industry, at the weekend.

This would happen through harmonisation of wage rates unrelated to productivity, following trade union pressure, he said. In a speech to a conference on the future of Europe, Mr Adair also set out for the first time the "dangerous" link for British industry between the creation of Emu and growth of social regulation to protect the European-wide labour market.

He said he feared countries in a single currency might become uncompetitive and as a result suffer from high unemployment either because they entered the single currency at too high an exchange rate or because they subsequently allowed pay increases to exceed productivity increases.

"The more Europe is likely to go down the path of labour market intervention and harmonisation, the more worried we are at the prospect of monetary union," he said. "In a single-currency Europe, disparities in wage levels by region will be far more visible than today. If in that Europe we were going to see successful trade union pressure for the harmonisation of wage levels unrelated to whether productivity levels had harmonised – then Emu would be an employment destroying disaster." *Robert Taylor, Employment Editor*

Referendum candidates pledge

Sir James Goldsmith, the UK financier, suggested yesterday that he would have no compunction if his Referendum party helped secure a Conservative defeat at the next general election. Sir James – who has vowed to field candidates in every constituency except those where representatives of the leading parties have pledged themselves to vote for a referendum on further European integration – described the general election as a "masquerade".

He said Tory and Labour Eurosceptics had failed to win the battle within their parties. "They have fought for it [a referendum], but they have failed, and we must recognise that failure," Sir James told the BBC.

Such was the transfer of powers from Westminster to European institutions that result of the general election was fast becoming irrelevent. "That's why I don't really care who wins," he added. Sir James has made it clear that he is a position to at least match the finances of the main parties. Some estimates have indicated that he will invest at least £20m ($30.8m), a small fraction of his net worth, in the election campaign. Sir James said he would "put whatever it takes to give the chance for people to understand what the issue is". *John Kampfner, Political Staff*

Row over Scots independence

Scotland could be facing independence by the year 2002, Scottish Secretary Michael Forsyth said yesterday. His remark was aimed at underlining Tory claims that Labour's home-rule scheme for Scotland would lead to the break-up of the UK.

But nationalists seized on the remark to argue that he was acknowledging the strength of the independence case. Leader Alex Salmond said his Scottish National Party had now driven both Labour and the Tories on to its own constitutional ground.

"Michael Forsyth and John Major claim that if there is devolution, independence will follow in double quick time," he said. "[Labour's] George Robertson and Tony Blair say that if there is no devolution, independence will follow. It seems that even our political opponents are agreed that Scotland's destination, and the political argument, is merely about the route by which we get there."

Mr Forsyth warned that Labour's home-rule parliament could put the future of the UK not just on a slippery slope but "a cliff-edge". But if Labour won the election, and established a Scottish parliament, the Tories would not boycott it and would field candidates, he said. *PA News*

Defence purchase policy shift

Britain's Ministry of Defence will take the need to support the defence industry into account in future procurement decisions as a result of a six-month review of the ministry's relationship with the UK defence industrial base.

For 10 years the MoD has stressed competition and value for money as the yardsticks for procurement decisions. The policy, however, is no longer thought to be adequate given the shrinking defence market and the need to rationalise the European industry. To speed development of the new approach a working group has been set up with senior executives and officials from the defence industry, the MoD and the Department of Trade and Industry. It intends to produce proposals on how the changed policy can be implemented.

The revelation of the MoD's change of heart comes just before publication of a joint report by the Commons defence and trade and industry select committees.

The report, likely to be published tomorrow, is expected to criticise the MoD's competitive procurement policy. It says that excessive reliance on competitions has damaged the long-term viability of the UK defence industry and led to higher costs to the MoD as companies recoup the money spent on bids through higher contract prices. *Bernard Gray*

Cycle maker freewheels into China

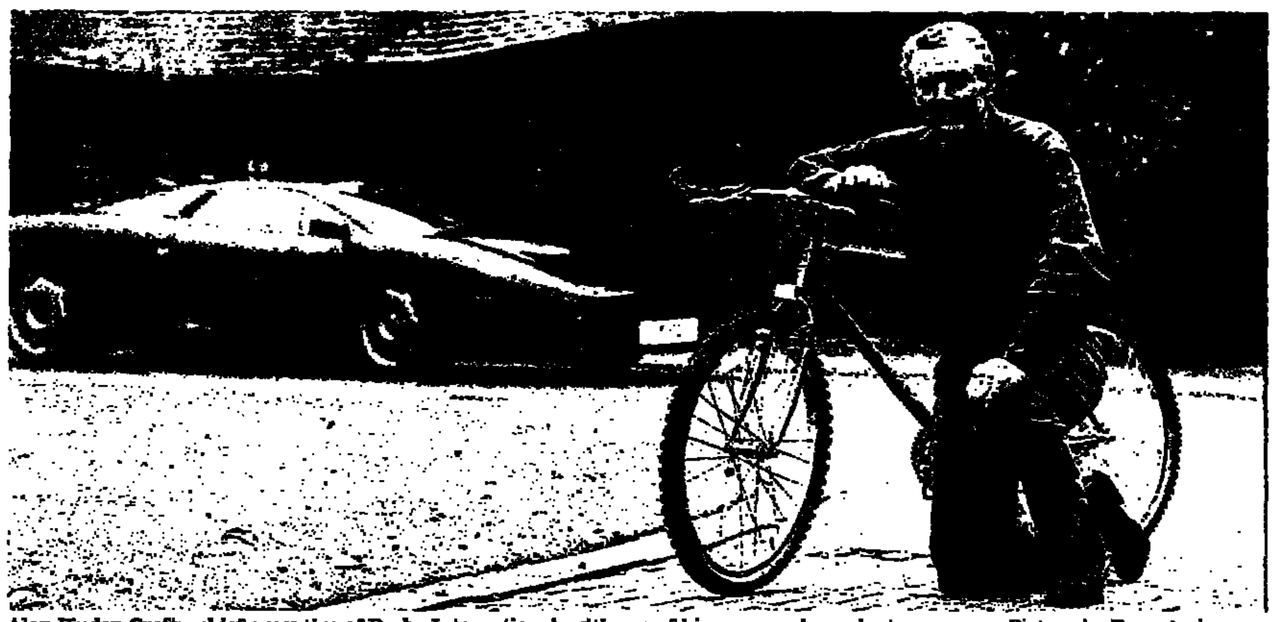
By Peter Marsh

Chinese cycling enthusiasts are to be targeted with western-style mountain bikes – with similar designs to the US and European versions but fewer trimmings – under a licensing operation being set up by Derby International, one of the world's biggest bicycle companies.

Privately-owned Derby, which runs Nottingham-based Raleigh Industries, is taking a 60 per cent stake in Raleigh China, a business in Shenzen in China which will sell design and technology ideas to up to six independent Chinese bicycle makers. Many of the ideas will be based on the techniques used to make Raleigh's best-selling mountain bikes.

The initiative comes as a row flares up again over allegations of unfair "dumping" of bikes by Chinese producers in Europe. Europe's bike makers are complaining to the European Commission that China is circumventing anti-dumping duties imposed by the commission two years ago by exporting the equivalent of 800,000 bikes a year to Europe in kit form.

The complaints are being filed by the European Bicycle Manufacturers Association, whose members include Derby as well as other leading makers such as Peugeot of France. They come as imports into Europe of finished Chinese bikes have fallen to 50,000 last year from 2.5m in 1991, mainly due to the 34 per cent dumping duties.



Alan Finden-Crofts, chief executive of Derby International, with one of his company's products Picture by Tony Andrews

Mr Alan Finden-Crofts, Derby's chief executive, said his company's venture followed from realising that rather than "whinge" about unfair imports Derby had a role to play in helping build up China's bike industry. Derby hopes the venture could by the end of the century account for roughly 10 per cent of China's bike market – earning it royalties on production of about 3m bikes a year – and bring the company several million pounds a year.

As part of the project, Derby is considering eventually taking equity stakes in companies with which it will sign licensing agreements, and is looking at the possibility of setting up retailing outlets for bikes in China.

The 40 per cent of Raleigh China which Derby does not own will be held by private and government interests.

China is the world's biggest bicycle making country, accounting for roughly a third of global bike production of 120m bikes a year. Of China's 40m a year bike output, 10m are exported.

Under the plan, designs of mountain bikes and other types of cycle would be based on these being sold in Europe and North America, though parts would be less sophisticated so the products would probably sell for the equivalent of about £50 ($77) each, a third of the western price.

Derby, of which Mr Finden-Crofts owns just under a quarter, has emerged as one of the UK's most noted industrial success stories. In 1987, it took over the Raleigh bicycle-making operations of Tube Investments (now TI) which in the previous five years had lost £35m.

Since then the company has been restored to profit and its turnover has roughly doubled on the back of a number of global acquisitions. The company – of which the non-executive chairman is New York lawyer Mr Ed Gottesman, who owns about five per cent and controls investment trusts accounting for more than 50 per cent of the Derby stake – is now thought to be worth about £150m.

Mr Gottesman and Mr Finden-Crofts have already used the Derby approach in setting up another company in which they are the main shareholders – Exeter International, which owns the Royal Worcester and Spode china companies and has annual sales of about £60m. Mr Gottesman said the idea of combining a "lean" management style and privately-owned status could serve as a model for the takeover of other companies, and that he and other Derby shareholders were considering a range of further acquisitions.

Oracle to put every UK school on the Internet

By Paul Taylor

Oracle, the US-based software group, is to offer free software and computer access to all 25,000 British primary and secondary schools to enable them to access the information superhighway.

The software, Oracle PowerBrowser, runs on standard Windows-based personal computers or Apple Macintosh's, and will enable schools to connect to the World Wide Web, the Internet's graphical interface.

Schools will also be able to create their own Web pages using the software and dedicated computer facilities set up by the company. Creating Web pages normally requires owning expensive server hardware, however Oracle plans to set up a "hub site" – a powerful server which Oracle will manage and which will be shared by schools which will be able to dial-up using a personal computer and modem communications device.

The only additional costs for schools will be local telephone charges. Based on about 10 hours a week "on line", Oracle estimates this will cost schools about £6 a week. However Mr Philip Crawford, Oracle's managing director in the UK, hopes other companies will step forward to help offset these costs.

"This is just a start," he said. "We hope other vendors of IT products and technologies will support this initiative and donate equipment to speed the schools progress towards the information superhighway."

Oracle's hub site will also act as a "Yellow Pages", providing a directory of other schools using the Web and provide electronic links to museums, art galleries and other useful sources of educational information.

Mr Crawford said Oracle will provide a dedicated technical support specialist to help schools set up the PowerBrowser software and start using the Internet.

Reading School has agreed to act as a pilot site for the project. Oracle plans to send letters to every school headteacher in the UK, and to every local education authority, explaining the way the scheme will work.

Media futures, Page 13

Phone book ad rates may be held

The cost of advertising in UK business telephone directories such as Yellow Pages could be held down by a formula based on inflation, if proposals put to the Department of Trade and Industry late last week are accepted, *Alan Cane writes.*

A cap on advertising rates, similar to the limit which now controls the rate at which BT can raise call charges, is understood to be a principal recommendation in a report from the Monopolies and Mergers Commission after a nine-month investigation.

Other proposals that the MMC has considered include splitting the directory services company off from British Telecommunications, its parent, and forbidding BT exclusive use of the name Yellow Pages.

Sir Bryan Carsberg, former director-general of fair trading, referred the classified directories issue to the MMC last March after complaints from advertisers about increases in advertising rates except in areas where BT was competing directly with local directories.

The business directory market, worth about £400m ($616m) a year in revenues, is dominated by Yellow Pages, which has an 85 per cent share. Thomson Directories, a subsidiary of the US telecoms operator US West, holds the remaining 15 per cent. Thomson's directories cover local areas rather than regions.

US West bought Thomson last year for £70m with a view to expanding what it believes is an underdeveloped business. It said it planned to use multimedia techniques to extend its paper-based services.

THIS WEEK

Election chimera stalks Germany

DATELINE

Bonn: Anxieties are developing about the ruling coalition's future, writes Peter Norman

Bonn succumbed to a burst of election fever last week. For two days, speculation about an early general election next spring was rife, and even after a welter of official denials, the issue has refused to die.

Two weekly magazines, *Der Spiegel* and *Focus*, and the ever lively mass-circulation *Bild Zeitung*, trailed the idea in their editions last Monday. In political Bonn, that set pulses racing and pundits pondering the future of Chancellor Helmut Kohl's centre-right coalition.

At first sight, nothing could be less plausible than a premature general election. It is less than 14 months since Kohl was returned to power. True, the coalition has only a 10-seat majority in the Bundestag, but that should be guaranteed for the four-year life of the parliament because by-elections are unknown in Germany.

Moreover, an early general election is difficult to arrange under the German constitution. A chancellor cannot, for example, initiate new elections simply by resigning. Nor can the Bundestag, the lower house of parliament, dissolve itself. In the two cases where premature elections have been held, governments have been obliged first to seek and then to contrive to lose votes of confidence in themselves. Since Kohl successfully pulled off this trick in 1982, the constitutional court has imposed additional obstacles to such a ruse.

Last week's speculation has thrown into sharp relief a new abrasiveness in German politics, in which the governing coalition, which only two months ago seemed unassailable, is showing signs of strain.

While a general election is not due until late 1998, three important *Land* elections will be held on March 24 next year when voters in Rhineland-Palatinate, Baden-Württemberg and Schleswig-Holstein choose new state parliaments.

These state polls have come to be regarded as a mid-term test of Kohl's popularity, providing a first opportunity for the struggling opposition Social Democratic Party to show its electoral paces after last month's coup which put Oskar Lafontaine at its head.

Most important, however, they will be a test for the Free Democrat Party, the junior partner in the ruling coalition. The FDP is in a lamentable state. In October's Berlin city elections, the party obtained only 2.5 per cent of the vote, less than the far-right Republican party. It has lost 12 state elections in two years.

It is far from certain that in next March's state elections, the FDP will clear the 5 per cent hurdle needed to be represented in the state parliaments. In the case of Baden-Württemberg, that would be an especially damaging blow, because that is where the FDP originated after the second world war.

The FDP has raised the stakes surrounding the March 24 polls by declaring that they are a "mini general election". Walter Döring, the party's leader in Baden-Württemberg, has opined that in the event of an election debacle in his state, "the coalition in Bonn would not be tenable".

If there is a single source for Germany's election fever it is this one line from a regional politician. Hypothesis after hypothesis has been built upon the remark. A favoured scenario is that in the event of defeat, the FDP would quit the government to revitalise itself in opposition. Then, so the argument goes, the two main coalition parties, Kohl's Christian Democrats and its Bavarian sister-party, the Christian Social Union, would seek a majority of their own in the Bundestag through an early general election.

Adding weight to this argument is recent strong opinion-poll support for the CDU/CSU. And there could be other attractions for them seeking a new mandate next year. It would shift the date of the subsequent general election to 2000 – well clear of any difficulties with the move to economic and monetary union in Europe.

Relations between the CDU/CSU and FDP have worsened, as the FDP has picked fights with its coalition partners to raise its electoral profile. As the party of lower taxes and economic liberalisation, the FDP has attacked the CDU/CSU very publicly for delaying the abolition of the unpopular solidarity surcharge that is added to income tax bills to pay for German unification, and for prevarication over liberalising shop opening hours.

In return, there is very little love lost between the CSU and FDP. Senior CSU politicians often wonder aloud how the FDP, despite dwindling electoral support, can hold such important portfolios in Bonn as the foreign office, the economics ministry and the justice ministry.

The problem with the speculation on an early election is that it takes little account of some hard realities. The emergence of Lafontaine has already cut CDU/CSU support, so that if a general election were held tomorrow the two parties would be unlikely to obtain an absolute majority in the Bundestag. Early election scenarios also depend on the FDP deciding to commit political suicide in the event of a debacle in next March's state elections.

There are some who say the FDP is in such a dire state that anything is possible. But the start of the festive season in Bonn should be a timely reminder that turkeys do not usually vote for Christmas.

PEOPLE

NAMES IN THE NEWS

Westinghouse gets ready to pay for Jordan's new toy

When Michael Jordan promised two years ago to "rethink Westinghouse and its businesses," nobody expected matters to turn out quite as they have, writes **Richard Waters in New York**.

The intense, unflappable former PepsiCo manager had been parachuted in to salvage the struggling US conglomerate by turning around operations like power generation and defence electronics. After years of decline, much was expected of Jordan, who had trained as a nuclear engineer and also spent 10 years as a McKinsey consultant.

Two years on, Jordan's stock has slipped on Wall Street. Westinghouse is still awaiting its transformation. And while Wall Street has soared, Westinghouse's shares are stuck at the depressed level they were when he took over.

To cap it all, Jordan has just saddled the group with a junk bond rating, thanks to his $5.4bn takeover of another struggling business, CBS. The other side of that deal could materialise as early as this week, when the Westinghouse chairman is expected to outline the businesses he plans to sell to pay for his new toy.

Jordan must be hoping that he can do for CBS what he once did for PepsiCo's snack food businesses. The single biggest success from that period of his life was to take a struggling US brand – Frito Lay – and transform it into the foundation for a strong international snack food business.

Last week, while confirming the existing CBS management in their jobs, the Westinghouse boss talked about building an international presence out of Westinghouse's entertainment businesses.

Jordan shrugged off suggestions that the glory days of the networks were over. Nearly 20 years as a manager in consumer products had taught him the value of broadcast television: "The great networks are not going to go away," he says.

Rotten timing for Alphandéry at EdF

Edmond Alphandéry, the 52 year old former finance minister in the Balladur government, could not have chosen a worse moment to fulfil his ambition to take over the reins at Electricité de France (EdF), the world's largest electricity producer, writes David Buchan in Paris.

The day after the French government finally nominated him as president of the state-owned utility, a large portion of the EdF workforce came out on strike. Ostensibly, Thursday's protest was a one-day action timed to coincide with a National Assembly debate on the future of French public services and aimed at stiffening government resistance to European Union deregulation. But EdF, which had to cut power to some parts of the country, is unlikely to return fully to work until the rest of the public service does.

Alphandéry put on a brave face, declaring himself "very proud to become the head of EdF, a magnificent enterprise". It is a job that the university economist, turned relatively free market politician, has coveted at least since 1992, when it went to Gilles Ménage, a Mitterrand aide.

EdF's future international prospects are clearly the aspect of the job that most interests him. The company's problem is not so much expansion abroad, where EdF now exports 12 per cent of its output and is an increasingly active industrial investor, but shielding itself from full European competition.

Alphandéry regards as "reasonable" EdF's compromise proposal that it should keep its monopoly over distribution, while shedding total control over production, imports and exports. However, he may prove too European for the taste of EdF's deeply entrenched unions.

Bertelsmann's pulse races to AOL's tune

Judy Dempsey observes the unusual excitement in Gütersloh as a transatlantic joint venture goes online

It is hard to get Bertelsmann, the German publishing group, excited about anything. Perhaps having its headquarters in the sleepy north German town of Gütersloh has encouraged the company to adopt a very low-key approach.

That may seem surprising, given that Bertelsmann is the world's largest publishing and entertainment group. It owns the RCA and Arista recording labels and the Bantam Doubleday publishing house in New York; is the biggest book club in the world; and last year reported profits of over DM850m ($610m) on a turnover of DM20bn.


Bertelsmann's Middelhoff: responsible for multimedia business

If anything has excited Bertelsmann recently – not to mention Thomas Middelhoff, the board member responsible for developing the group's multimedia business – it is the launch last week of its first online service in collaboration with America On Line (AOL), which is the fastest growing online service in the US. AOL was founded three years ago, and the service has already attracted more than 3.5m subscribers.

"It really is an exciting venture," says the 42-year-old Middelhoff, who recalls how the partnership with AOL started. "We wanted to move ahead and go online. We had a choice of two partners, Microsoft or AOL. We started negotiating at the end of last year. I flew over to the US that November. And immediately I struck up a very good relationship with Steve Case [the founder of AOL]. Five months later we had set up a joint venture." Following last week's launch in Germany, AOL/Bertelsmann intends to attack the British and French markets in coming months.

Middelhoff, a former lecturer in marketing at Munster University, is the first to admit that the tie-up represents an important shift in Bertelsmann's development. Bertelsmann is still privately owned, and generally shuns joint ventures.

"Look, we could not go online alone. We have the content. But we needed a partner with the technical know-how and the experience. AOL fitted the bill. And I really do believe we can easily get 800,000 subscribers very soon," says Middelhoff, who shares the same enthusiasm exhibited by all involved in online services in Germany today .

Indeed, "online" and "multimedia" are buzz words, with Germany's large industrial conglomerates – Veba, RWE and Thyssen – jostling for position in the belief that once Deutsche Telekom, the state-owned telecommunications network, is privatised in 1998, the telecoms sector will be thrown open to the market.

Yet Middelhoff and Bernd Schiphorst, head of AOL's operations in Europe, who is also a Bertelsmann board member, realise they also have to compete with CompuServe, a rapidly growing service which already has 100,000 subscribers in Germany, and with Microsoft.

More importantly, they will have to persuade Germans to buy not only personal computers but modems as well, so that they can hook up to online services. In this respect, Germany is estimated to lag behind the US by about five years.

To grab market share quickly, Middelhoff says that Bertelsmann will adopt a two-pronged strategy, with its online service concentrating on two separate markets: entertainment and business.

The joint venture with AOL will provide services ranging from entertainment, access to the Internet, electronic home shopping, music, film and news. Even more interesting, perhaps, is that Bertelsmann has brought Deutsche Telekom on board.

"We started talking to Ron Sommer [the new chairman of Deutsche Telekom] eight months ago. He wants to move the telecommunications sector into the future and expand its online activities," says Middelhoff. Deutsche Telekom will take a 5 per cent stake in AOL's US operations, which will expose it to the US market and will be its first step into the international arena. It will also take a 20 per cent stake in AOL/Bertelsmann's European operations.

Middelhoff says this will enable AOL/Bertelmann to tap the business sector through T-Online, a subsidiary of Deutsche Telekom, which already has 1m subscribers. "The needs of the business community are different from those who just want entertainment and quick news and chatting on the Internet," says Middelhoff. "To tap both markets, we decided to keep them separate and provide two complimentary sets of services."

Not content with that, Bertelsmann is looking further down the road once its online service is established. "Eventually, we want to set up regional services," says Middelhoff. "This would mean providing an online service which has a local/regional flavour – for instance, having a service which would provide information, news and entertainment about Berlin." Subscribers, who will be paying DM9.90 a month for access to the general AOL/Bertelsmann service, would pay an additional DM1.50 for regional content.

When Middelhoff is not busy developing Bertelsmann's strategy, as well as online and multimedia services, he relaxes at home, in the countryside, not far from Gütersloh, with his wife, five children "and about 40 or 50 animals".

FT GUIDE TO THE GOLD MARKET

Strange things seem to be going on in the gold market. What's up?
The equivalent of a UFO sighting, according to one leading analyst. The market was in turmoil last week because the spot price of gold was higher than the forward price for the first time in the market's history, something commodity traders call "backwardation".

Hang on. Can we take that one bit at a time?
Right. You can buy gold in two ways: either for immediate delivery or for delivery at some point in the future. The cost of future gold is usually higher because the seller has to look after it until you take delivery of it. Professional gold dealers play around with this price difference to try and make a profit. For example, they sell gold forward for the higher price and hope that by the time they actually have to deliver it, they can pick it up more cheaply in the spot market.

That seems to make sense. So why did the market go topsy turvy?
Because the supply of gold for immediate delivery dried up and dealers were scrambling around for any they could lay their hands on.

Why did they need it? Couldn't they just have stopped trading for a while?
Unfortunately not. A lot of them were locked into contracts to deliver gold under forward commitments which they had entered into some time ago. So they had to buy some.

Why did the supply dry up?
Now we're getting to the nub of the problem. Gold mining companies like to sell their gold before they have actually mined it so that they can lock in a price. They do this through forward contracts with the bullion banks. But some real gold has to underpin these forward sales. So the banks borrow gold from existing holders until the newly mined gold comes on the market.

Borrow it? That sounds an odd way to run a business.
Very odd. Wait till you hear whom they borrow it from: central banks.

Good heavens! You mean the Bank of England lends the country's gold to speculators?
Lots of central banks have gold in their vaults, and they like to lend it because they make a profit by charging a fee to the borrower. Normally, of course, gold earns nothing. The Bank of England acts as agent for other central banks in the London market where most gold dealing is concentrated.

But if central banks are so keen to lend their gold, why has the supply dried up?
Because, at the end of the year, central banks have to draw up their accounts. So they call in all their gold to make it look as if they haven't been lending it.

Doesn't that happen every year? If so, why has the market got itself into such a twist this year?
Because, for the first time, South African gold mines have started to make forward sales. This had added enormously to demand for borrowed gold. Some gold dealers also think that central banks may have become more wary of lending gold after this year's big financial scandals, like Barings and Daiwa.

If borrowed gold plays such a big role, then presumably the cost of borrowing gold must be a factor in the market, too.
Good point. Last week, the cost of borrowing gold, known as the lease rate, shot up from 1 per cent per month to 6 per cent. The trouble is, gold analysts haven't been able to find a reliable long-term link between the lease rate and the gold price, so it's not a good guide for speculators.

This is very complicated. Does it really matter?
It pushed up the price of gold quite sharply last week, by several dollars an ounce. So it matters if you're in the business of buying or selling gold. There were also rumours that some of the big bullion banks had got into trouble because they had to buy spot gold at enormous prices to meet their forward delivery contracts. But these rumours were denied.

Who are the bullion banks?
The best known are big international banks like Union Bank of Switzerland, Midland Bank, Standard Chartered and Deutsche Bank. But anyone can deal in gold. There are tens of smaller houses around the world.

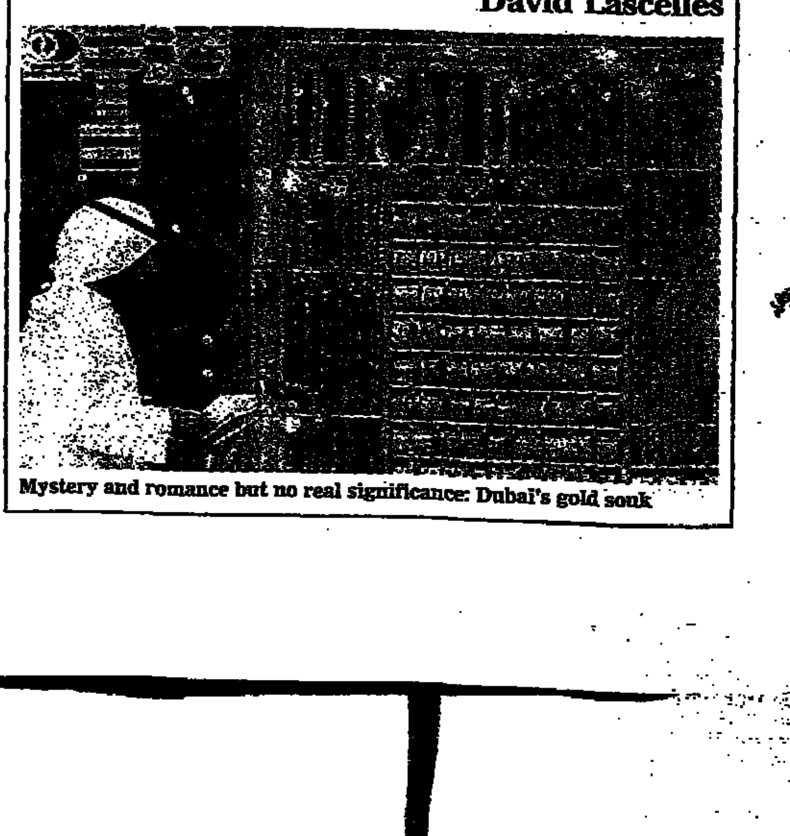
Psst. Could we find a quiet corner somewhere? I want to ask a personal question.
OK.

Should I be buying gold?
Not if it's for a punt. The gold dealers are hoping that all the publicity about soaring gold prices will draw private speculators into the market. This would buoy it up for a while. But there is little underlying strength.

Why not?
Well, for one thing, those central banks. They've got the equivalent of 15 years' mining supply in their vaults, and they'd probably switch from lending to selling if the price went really high. Also, a private investor would do better to invest his money in a yielding asset.

A nine-day wonder, then?
You could put it that way. The gold market still has an aura of mystery and romance. But it no longer has any fundamental significance because it doesn't underpin any major currencies, and has lost its role as a store of value now that inflation has come down.

David Lascelles


Mystery and romance but no real significance: Dubai's gold souk

FILM/VIDEO

■ For bulging disarray, the week resembles a stocking filled by a blind Santa Claus. We have romantic comedy, with Annette Bening wooed by Michael Douglas as *The American President*. We have two life-affirming family sagas – Diane Keaton's *Unstrung Heroes* and Ed Burns's *The Brothers McMullen* – and one death-affirming horror spoof in *Dr Jekyll And Ms Hyde*.

■ The week's weirdest film is *Angels And Insects*, torn by American director Philip Haas from an A.S. Byatt story about sex, aristocracy and the predatory female. Our hero is entomologist Mark Rylance, our heroine the queasily beautiful Patsy Kensit; and the supporting cast milling about the movie's mid-Victorian stately home is divided equally between moths and humans. The film has some mischievously sinister things to say about male-female relations across creation. It also shows just why insect is an anagram of incest.


Angels and Insects with Kristin Scott Thomas and Mark Rylance

■ The Douglas/Bening White House romp arrives clothed in friendly praise from America. *Unstrung Heroes* finds fun in the tale of a boy shuttling between ailing mother and eccentric guardian uncles. (It's like *Fanny And Alexander* in Norman Rockwell-land). And *The Brothers McMullen* was best picture winner at this year's Sundance film festival: about three suddenly parentless siblings coping with togetherness. Ed Burns wrote, produced, directed, edited and stars.

■ Finest video oddity is *Soldier Girl*, a docu-feature on US army life by two Brits, Nicholas Broomfield and Joan Churchill. For graphic brutality it makes *Full Metal Jacket* seem like *Little Lord Fauntleroy*. I am still recovering from the scene where a training sergeant bites the head off a live chicken, something that will drive almost any viewer to a vegetarian Christmas.

Nigel Andrews

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Close contact reveals sharply varying styles of managers across the region, writes **Edward Luce**

SE Asia: singularly different

Viewed from afar south-east Asia strikes many as a relatively homogenous group of countries. Moves to integrate the region through the seven-member Association of South East Asian Nations (Asean) have reinforced the view that Asean members have more in common with each other than with their giant neighbours – China and India – let alone Japan or the US.

Companies with direct experience in more than one Asean country, however, take a strikingly different view. South-east Asia is in fact probably one of the most diverse regions in the world encompassing democracy, dictatorship, Islam, Buddhism, Christianity and animism. From the perspective of the growing numbers of foreign investors in Asean, the region's sharp cultural differences throw up bafflingly different management styles.

Antonio Lopez, a management consultant at the Asian Institute of Management in Manila, says that the differences between Asean countries' approaches to management are arguably greater than those between individual Asean countries and other parts of Asia.

Singapore's stress on organisation and discipline, for example, is guaranteed to chime well with Japan's style of corporate management. While the Philippines' more innovative – and perhaps, hedonistic – approach to life usually sits comfortably with expatriate American managers.

The rapid pace of regional integration, however – most notably Asean's target of reaching a unified common tariff of 5 per cent on all goods by 2004 – means that outside investors must increasingly treat the region as one entity rather than a patchwork of separate countries.

Lopez is not alone in pointing out that many newcomers, not least the "third wave" of Japanese investors escaping the effects of the high yen, will be surprised by the contrasts they find. "If I had to generalise on what Asean countries have in common I would be reduced to talking about matters of etiquette," says Lopez. "For example, never lose your temper with local managers. Don't bang the table. Avoid being rude at all costs whether you are in Indonesia, Singapore or Malaysia."

Indeed. Asean office shredders are littered with the detritus of glossy prospectuses written by foreign companies who were subsequently cold-shouldered for having thumped the proverbial table.

A British company in the Philippines recently watched months of careful lobbying go up in smoke after the visiting chief executive vented his spleen at his Filipino counterparts over the slow pace of drawing up the final terms of the contract.

Sensitivity to matters of politeness, however, is more important in some Asean countries than others.

"I think once you've got over the customary handshakes and courtesies you can be relatively straight-talking in Singapore or Malaysia because they are much more westernised than, say, Indonesia or Thailand," says Peter Zuellig, director of the Zuellig group, which has drug distribution franchises and pharmaceutical manufacturing plants throughout south-east Asia.

"Singaporeans in particular are more transparent in their approach to management because they know that if they do not pay their taxes they'll go to jail. In contrast, corruption is a way of life in some other south east Asian countries," he says.

Western companies investing in Indonesia say they are required to act out elaborate rituals of traditional etiquette before getting down to financial brass tacks with their local partners. Etsu Inaba, a Japanese business consultant at Aim, likens Indonesia's emphasis on ritual politeness to the country's famous Wayang shadow puppet shows.

"Both you and your Indonesian counterpart know that you are simply re-enacting a ritual based on form rather than substance. But it is absolutely necessary to go through that process if you want to establish a good working relationship," says Inaba.

Another factor differentiating Indonesia from Singapore, is the island state's relatively recent history. The fact that most Singaporeans were born in a city state which has had – to a large extent – to invent its own culture means that the weight of ancestral tradition is less intrusive.

The extended family obligations which so often frustrate expatriate managers in Thailand or Indonesia are largely absent from Singapore where, among other departures, the government has provided western-style old people's homes for the retired. This means that Singapore managers can give their undivided loyalty to the company which employs them.

"It might sound like a brutal thing to say but when your manager has requested his fifth day of absence that month to visit his sick uncle or attend the town fiesta you start wishing you were in a more tunnel-visioned culture," says a foreign executive based in the Philippines. "Many companies have gone to great lengths to try to focus managers' loyalty more exclusively on the company."

Japanese companies, in particular, are well-known in the region for providing their managers with "paternalistic" inducements to concentrate their loyalties more exclusively. This might involve building a patriarchal aura around the chief executive of the local joint venture partner who then competes with the clan leader or head of family for the devotion of his managers.

Alternatively it might mean bringing in managers from other parts of the country where they feel less bound by their own traditions. "If, for example, a company brings in a Javanese manager to head its operations in Sulawesi, the western side of the Javanese will be much more prominent than if you had employed him [almost always male] back in Jakarta," says Lopez. "Differences in provincial outlook can also be exploited in the Philippines and Malaysia."

Ingenius devices for getting round cultural taboos have also been used in other contexts. Richard Downing, vice-president of Seagate International, which employs 57,000 people producing hard disc computer drives, says the company took a long time to realise that its Thai workforce – from managers to shopfloor employees – were afraid to ask questions.

"In our business it is absolutely essential to get feedback from your staff so that you can improve your operations continuously," says Downing. "This is no problem in the US and Europe where people ask questions the whole time. But in many parts of south-east Asia, including Thailand, it is considered insubordinate to propose innovations."

Seagate circumvented this problem at its Thai plant by encouraging its employees to write complaints or make suggestions anonymously which would then be discussed at a general meeting. "After two or three times they realised that we were genuinely interested in everybody's viewpoint. After that people started to raise their hands in public," says Downing, who heads Seagate's Asian operations from Singapore.

Problems of shyness are less of an issue in the Philippines than elsewhere, say Asean watchers, perhaps because of the country's colonial heritage. As former colonial subjects of the US and citizens of a fully-fledged democracy, Filipinos are more inclined to speak out than, for example, Indonesians. "Filipinos like to think they are more westernised than other Asians," says Gloria Chan, a business communications expert in Manila. "It also helps that they speak English."

For Japanese companies investing in the Philippines the English language factor is a strong bonus. "I can talk to my managers and my shopfloor workers in English without any problem," says Koji Miyajima, head of Honda (Philippines). "In other parts of the region the linguistic and also religious barriers can be quite difficult."

On questions of religious sensibility most foreign investors tend to single out Indonesia and Malaysia because of their Islamic heritage. On a practical level this can mean restrictions on hiring female workers for shopfloor operations or promoting female managers to positions of seniority over male colleagues. For nationalistic reasons Malaysia and Indonesia have also taken noticeably different attitudes to their Chinese minorities than other parts of the region.

In contrast to the Philippines, Thailand and Singapore, where assimilation has proceeded quite smoothly, the Chinese minorities in Indonesia and Malaysia are subjected to extensive business restrictions through the *bumiputra* (local partner) system.

"Restrictions on Chinese businesses is a very important issue because the one constant factor throughout south-east Asia is that overseas Chinese have achieved economic dominance in every single country," says Zuellig.

"This means the chances are that your local partner will not only be of Chinese origin but will also have a relatively similar business philosophy to his Chinese counterpart in the next south-east Asian country. But in Malaysia or Indonesia you have to be more careful. It might be wiser to go into joint venture with a *bumiputra* for reasons of long-term security," he says.

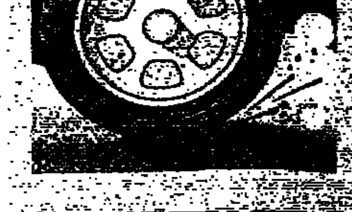
Perhaps because of the region's diverse management styles post-graduate students at Aim are encouraged to study the US approach to business management. Teachers at Aim believe that the "universal" and English-language management philosophies pioneered at business schools in the US are spreading throughout south-east Asia.

At the same time, family-owned south-east Asian firms – especially Chinese family companies – are beginning to dilute their controlling stakes in the company to raise capital on the local bourses. This, say local business experts, means that the American joint-stock version of capitalism is gaining increasing validity around the region. It also means that cultural differences are becoming less important.

Lopez – a veteran of management consulting jobs with multinational companies setting up in the region – says it would nevertheless be a mistake to expect south-east Asia to converge on a single way of doing business.

"It is always tempting to generalise," says Lopez. "When somebody asks me: 'What is the Malaysian way of doing business?' I say: Do you mean Chinese Malaysian, Indian Malaysian or Malay Malaysian? Are we referring to Penang or Kualar Lumpur? I could go through the same routine with every country except Singapore."

Multinational companies, it seems, will be requiring Lopez's services for some time to come.



FAST TRACK

Perot Systems

Two events this autumn have sparked new interest in Perot Systems Corporation, a company founded by erstwhile US presidential candidate Ross Perot.

One was the strategic alliance in early September with Swiss Bank Corporation, giving Dallas-based Perot a hefty kick start in European financial services. The other was the appointment a month later of James Cannavino, IBM's former chief strategist and effective number two, as president and chief operating officer of the computer services group.

The Swiss bank deal, which allows Perot to manage much of the IT infrastructure of SBC Warburg and involves the bank in taking a 24.9 per cent stake in its partner, more than doubles Perot's head count in Europe and raises the prospect that for the first time next year the European operation will account for more than half the group's worldwide revenues. These were $300m (£200m) in 1994.

"I take my hat off to them", says David Millar, director of the securities and capital market segement at rival outsourcing firm Hoskyns (part of Cap Gemini Sogeti). "Rather than going to open tender to millions of people they have crafted a client specific solution out of a number of different issues. The SBC deal is a pointer for the future."

Perot was formed in June 1988 by Ross Perot and eight former executives of Electronic Data Systems, the hugely successful systems integration company, also founded by Ross Perot and sold to General Motors in the mid 1980s.

Like EDS, IBM, Andersen Consulting, Cap Gemini and a host of other consultants, Perot has benefited from the gathering trend towards IT outsourcing.

The company first moved into the European market in 1990 through a re-engineering agreement with Europcar Interrent International, followed in the same year by an alliance with East Midlands Electricity aimed at preparing the UK regional electricity company for a deregulated market. The SBC deal, however, was the one that forced Perot's rivals to sit up.

With 51-year-old Cannavino out of premature retirement to take over the wheel there can be no doubting Perot's ambitions. His 32 years at IBM, which included spells in charge of Big Blue's personal systems group and Entry Systems and Data Systems divisions, have left him with a profound technical and strategic knowledge of the industry. In London recently he indicated that one of his main priorities would be marketing.

Outsourcing, he says, is already a commodity business – "there are no large margins, and nor ought there to be". The computer services companies which will win are those which can deliver the best solutions for their customers. "Businesses cannot afford not to leverage their IT".

Cannavino says that in his short spell with his new company he has been impressed by PSC's "set of beliefs – they cherish their customers, their people and their stakeholders".

SBC apart, Ross Perot remains the biggest Perot shareholder with employees controlling the rest. "Going public's certainly in our mind," says the new boss, "but I don't think its going to be next year."

Tim Dickson

Consumer choice in shades of pastel

LUCY KELLAWAY

When I was a child there were two sorts of lavatory paper: hard and soft. Each sort was available in little folded sheets or on a roll. In those days consumers had a real choice, and as far as I was concerned, my parents – who bought the hard sheets – always made the wrong one.

Things are not so straightforward now. On the shelves of our local Sainsbury's, loo paper takes up a whole aisle, occupying as much shelf space as the entire contents of the grocers shop from which my mother used to buy the offending Izal. There is Soft, Super Soft, Quilted, Double Velvet, and Softer & Thicker. There is Economy, Medicated, Recycled, Soft Recycled, Recycled From 100 Per Cent Low Grade Waste, and something called Greencare. Most of these come in a variety of pastel shades: mint green, honeysuckle, snowdrop white, peach and rose pink. Some have patterns on them and are called things like "bouquet", and "chantilly". In addition, there are wet wipes and a new product offering "advanced personal hygiene".

If this is choice, I don't want it. And it seems that neither do most other consumers. I read last week that 70 per cent of shoppers over 40 would like to turn the clock back to the good old days when there was a genuine choice between a small number of products that were different.

What consumer choice has come to mean is that we all spend longer than necessary in the supermarket. You need dishwasher detergent: then you must pick your way through five different brands, each of which offers a choice of powder, liquid, gel, ultra powder, concentrated liquid and tablets. Most of these options are also available in citrus flavour. Even if you have a preference for a particular product, finding it may not be easy. Try looking for the plain coleslaw (if your supermarket has such a thing) among the premium coleslaw, country coleslaw, lightly dressed coleslaw, coleslaw with cheese, coleslaw with prawns, low calorie coleslaw . . .

It is hard to see who benefits from this ludicrous system. The demand for lavatory paper and most of these other items is inelastic; so the endless variety does not make people buy more. Instead, the manufacturers launch a never-ending series of products 90 per cent of which will not survive. The supermarkets feel obliged to stock everything – making their stores unmanageably big. And instead of basking in choice, the consumer is faced with a confusing array of almost identical products. There may be a few people who are excited by the fact that they can now buy a tin of tomatoes variously flavoured with garlic, chilli, herbs or fennel. But there may be some who enjoy the hours deciding what to buy. But looking at the harassed and worn faces in my local Sainsbury's they are few and far between.

A strange man came to see me the other day. He was wearing a T shirt and a pair of shorts and arrived on a bike with a computer strapped to the back. He gave me a little card giving his name as Paul Wolsfeld, and told me how he had spent six years on his bike visiting the headquarters of the 1,400 largest US companies, and is now doing the same in Europe. He marches up to the receptionist, asks to see the view from the CEO's office, inquires about the canteen, the age of the building, the distance from the airport, and whether the boss smokes.

The most extraordinary thing about this scantily-clad Californian is that most companies happily open their doors to him. In the UK, only those corporate mavericks BTR and Hanson have politely but firmly shown him the exit, and in the US, Walt Disney, that happy, friendly organisation, distinguished itself by escorting him off the premises.

This man must know more about corporations than anyone else alive, I thought. How better to assess the corporate culture than walk in from the street and observe whether people smile at each other in the corridors.

At Christie's and BP, staff have free meals, he told me. Nokia, the Finish telecoms company, has an Ericsson phone in reception. Aquariums are popular in Sweden, where visitors are also offered fruit. Nationwide Mutual, the US insurance company, has a corporate chapel. BAT has a great view; Prudential has a ghost. Tetra Laval, British Steel and Unilever all have cannons in their offices. KLM is the only airline where the chief executive does not have the regulation model aeroplane on his desk – in an attempt to prove that it is its people that matter.

The more he told me about his collection of corporate trivia the less enlightened I felt. What these details revealed is how overwhelmingly similar most headquarters are. Most buildings are dull, and most CEOs – so he says – can't use computers and have weak handshakes. Maybe corporate offices have something in common with lavatory paper: a vast collection of similar entities with little to choose between them.

BUSINESS EDUCATION

Della Bradshaw asks why students are prepared to travel thousands of miles to study for an MBA

On course for a long weekend

For the past year Max Nussbaumer has spent two weekends of every month studying for a part-time master of business administration degree at the London Business School.

Working full-time while studying for an MBA is difficult enough at the best of times. But for Nussbaumer, a father of three, the strains are compounded because he has to travel to London from Cologne, where he works as sales manager for a German computer company. What is more, he is paying for the course himself – the fees, the cost of the flights and the accommodation.

But Nussbaumer, an Austrian by nationality, is confident that his decision to study in the UK will prove fruitful. "I would like to go to the US or UK in the mid term – not the short term. So I wanted to study at an Anglo-American school," he says. "I wanted to expand my international network of friends and business contacts."

Nussbaumer is one of a growing number of students who travel overseas to study for executive MBA degrees, particularly in Europe. Several US business schools are cashing in on the trend.

The University of Chicago has been one of the front-runners and began its international executive MBA course in Barcelona in July 1994. Although there were already two business schools in Barcelona with strong international reputations – Iese, the graduate school of the University of Navarra, and Esade – Robin Hogarth, deputy dean at the Chicago business school, says there is little competition between the courses. While the local schools have a strong core of Spanish-speaking students on their MBA courses, the 18-month Chicago executive course draws in more mature students from across Europe and even further afield.

Of the 107 students on the two ongoing courses only 28 are resident in Spain and only 20 are Spanish. Students travel every month from as far afield as Angola and Venezuela and several are Americans working overseas. Indeed 45 per cent of the students on the course work in a country where they are not a national.

Winnie Ng, for example, is Canadian and now works in Hong Kong as the public relations manager for the Kowloon Motor Bus company. She uses her annual holiday plus study leave granted by her company to fly to Barcelona every six weeks. The overnight flight enables her to get some sleep, she says, which is desperately needed as the intensive one-week course which follows involves "working from seven in the morning to 12 at night".

Ng chose the Barcelona course specifically because it was based in Europe and had a range of European students. "I liked the mix of students. I was educated in Hong Kong and North America so I wanted some European exposure."

Another student on the Barcelona course, a Japanese banker working in London, was impressed by its structure, which has been specifically designed for overseas students studying part-time. Students descend on the Barcelona campus in week-long bursts throughout the year, with a longer period over the summer, when business elsewhere tends to slack.

However, even though his employer is supportive, he says he has still missed a couple of days from the course due to pressure of work in London.

Nussbaumer is also facing problems in marrying work with study. Beginning his second year he has been restricted in his choice of optional, or elective, courses, being forced to choose those that fit in with his work schedule. As he says: "I just can't afford to fly to England for a course every Wednesday evening."

In North America cross-boundary MBA study is also beginning to prove popular. Georgetown University in Washington DC, for example, has been running an executive MBA programme since September 1994. In September 1996 the course will have its first overseas student, says Jeremy Moyse, director of the course and himself British.

Already there are several overseas students on the flexible MBA programme run by the Katz school at the University of Pittsburgh, Pennsylvania. One is Canadian Peter Jamieson, who runs a franchised supermarket in the Atlantic province of New Brunswick. He travels a round trip of 2,000 miles every time he visits the campus, which is required seven times a year.

He chose to study in the US rather than Canada because he too wanted to mix with students of different nationality. "In Canada people are very close to what I am. I wanted to study with a different calibre of student. The students are as important as the faculty."

Although based in a remote part of Canada, Jamieson keeps in touch with faculty members by telephone, facsimile and electronic mail. He uses the same means to keep in touch with other students – at the moment he is in a work group with two students working in Frankfurt, Germany, and Rochester, New York.

Jamieson admits it is hard work. "It's all down to discipline. If you fall behind you then have to catch up. Then it's twice as bad."

NEWS FROM CAMPUS

Scholarships for marketing men

Marketing executives in the UK who work for companies exporting, or planning to export, to North America could be eligible for a scholarship under a scheme being run by the Department of Trade and Industry. Closing date for applications is January 6 1996.

Four scholarships to Canada will involve a two-week marketing management course in May 1996 at the Western Business School in Ontario, followed by a weekend visit to Atco Group, sponsors of the programme, in Calgary.

Ten scholarships to the US in April-May 1996 will include a one-week marketing strategy course at the Kellogg School of Graduate Management in Evanston, Illinois, followed by a one-week internship with a US corporation.

DTI: UK, (0)171 215 4895.

Outsiders top the executive pay league

Chief executives hired from outside a company earn salaries and bonuses averaging 13 per cent more than those executives promoted from within, according to the latest research from the Wharton school at the University of Pennsylvania.

There was even evidence among the 305 companies studied that specific skills developed within the company could be a drawback.

Wharton: US, 215 898 5000.

Videos train the ethical way

With business ethics becoming fashionable as the byword of the 1990s, the Hebden Lindsay publishing company has developed a video-based training package to help human resource managers address the issues.

The first video defines business ethics conceptually while the second deals with the nitty gritty of ethical policy making.

Hebden Lindsay: UK, (0)1252 452521.

● For those more concerned with effective training, Video Arts has released a new version of its video "You'll soon get the hang of it", which demonstrates how, what and why to train in various workplace situations. The video stars comedy actor Hugh Laurie.

Video Arts: UK, (0)171 637 7288.

CONFERENCES & EXHIBITIONS

DECEMBER 7 & 8
Currency Derivatives
Valuable for dealers and more sophisticated customers using the currency markers for hedging and speculation. Delegates should be familiar with basic terminology • Trading in currency futures • Option trading strategies and hybrid products • Option valuation and risk profiles • Synthetic agreements for forward FX • Currency swaps.
Contact: Jonathon Rogers - BPP Bank Training
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

DECEMBER 11 & 12
FT The Outlook for Natural Gas
Gas is widely viewed as the fuel of the decade with production and use growing strongly worldwide. With the advantages of being seen as an environmentally friendly fuel and reserves that are set to out-strip oil, will the gas business fulfil its widely held promise or are expectations being set too high?
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171 873 3975/3969
LONDON

DECEMBER 12 & 13
FT World Pulp and Paper
This year's conference will look at the future of these industries now that they have come out of recession in such a spectacular fashion. In addition to considering issues such as supply and demand and new market structures, we will be looking at the longer-term implications of scientific developments such as biotechnology and new sources of fibre.
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171 873 3975/3969
LONDON

DECEMBER 12/13
Introduction to Foreign Exchange and Money Markets
Highly participative training course covering traditional FX and money markets featuring WINDEAL a realistic PC based dealing simulation. For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel. £520.00 +VAT.
Contact: Lywood David International
Tel: UK 44 (0)1959 565820
Fax: UK 44 (0)1959 565821
LONDON

JANUARY 17-18
Increasing Business by Telephone
An interactive course covering all the key areas which make you successful on the telephone, ie Building better relationships, Effectively promoting products & services, Controlling incoming and outgoing calls. £495 +VAT, inclusive of accommodation, meals and refreshments.
Contact: STRUCTURED TRAINING
Tel: 01926 337621
WARWICKSHIRE

JANUARY 18
The Future of Aviation Safety Regulation from a European Perspective
Practical and technical issues resulting from changes in the European system of safety regulation will be addressed by leading experts from national regulatory authorities, the JAA, the EC Commission, the FAA, manufacturers and operators. Keynote speech by Viscount Goschen.
Contact: The Conference Office, RAeS
Tel: 0171 499 3515 Fax: 0171 493 1438
LONDON

JANUARY 19
Tomorrow's Total Appraisal A Managing Best Practice Conference
Appraising an individual's relationship with customers, peers, and those they manage, provides a more rounded picture of performance. At this practical event catch up with best practice and hear from organisations who have successfully implemented upward or 360° appraisal systems, Mercury One 2 One, BAA, Rover Group, J C Bamford.
Contact: Susan Morgan at The Industrial Society
Tel: 0171 839 4300 Fax: 0171 839 3898
LONDON

JANUARY 22-24
Introduction to Foreign Exchange and Money Markets
Those involved in corporate banking or treasury need to understand Foreign Exchange and Money markets, their products and risk management techniques. ● FX: Definitions, Key Players, Spot and Forward, Basket and Cross Currencies; ● Money Markets: Bank of England Operations. Discount Houses, Instruments; ● FRAs, Options, Caps, Collars and Floors, Swaps. 3 days. £795.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 23
The Private Finance Initiative: The New Opportunities for the Private Sector
Detailed post-Budget briefing on relaunched PFI. Speakers include six Government Ministers and Sir Christopher Bland, Chairman, Private Finance Panel. Case studies of completed PFI projects and examination of the 1000 projects now available under PFI.
Contact: City & Financial Conferences
Tel: (01276) 856966 Fax: (01276) 856566
LONDON

JANUARY 23/24
Practical Dealing Course - Foreign Exchange
Training in Spot and Forward FX dealing for trainee/junior dealers and Corporate treasury personnel. Highly participative course including WINDEAL (PC Windows-based dealing simulation). Training effected by practitioners with many years' market experience. £520 + VAT.
Contact: Lywood David International Ltd
Tel: UK 44 (0)1959 565820
Fax: UK 44 (0)1959 565821
LONDON

JANUARY 25/26
Introduction to Capital markets
Training in Capital markets activities for trainee/junior dealers, fund management, Corporate treasury personnel, associated settlements and systems development staff. A highly participative course with many practical exercises on bond and equity pricing and dealing calculations. Training is effected by practitioners with many years' market exerience. £520 + VAT.
Contact: Lywood David International Ltd
Tel: UK 44 (0)1959 565820
Fax: UK 44 (0)1959 565821
LONDON

JANUARY 25-26
Introduction to Banking for Executive Secretaries and Support Staff
For secretaries, IT and other support staff, providing a sound appreciation of a bank's products, systems and procedures. ● The Banking System - History, Practices, Structure, Regulation; ● Products and Services; ● Frequently used Banking and Financial Terms. 2 days. £595.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 29-30
Technical Skills for Private Bankers
The fast growing private banking sector focuses on the provision of high quality, personalised banking services to wealthy high net worth individuals. This course introduces some of the facilities and services routinely expected by private banking clients. An invaluable introductory course for new entrants to private banks. Support staff who need an appreciation of the functions of a private bank would also gain from attending. 2 days. £595
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 29-31
Introduction to Fund Management
A course designed for new entrants to fund management who need to establish a sound basis of understanding of the role of the fund manager. ● Institutions, Regulation; ● Investment Decision Making Process; ● Asset Allocation; ● Risk Evaluation, Hedging Techniques.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 30
Directors: How to Manage Your Liabilities
Never before has it been so crucial for directors to understand the complexity and seriousness of their legal responsibilities. This conference has been specially designed to highlight the most common liabilities facing company directors and help to identify practical and affordable ways of controlling these risks. From risk identification to management and transfer of risk.
Contact: Athina Bradley, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

FEBRUARY 1-2
Derivatives Risk Management
This course grew out of Fairplace's successful conference programme which highlighted in 1994 many of the risks now spotlighted by regulators and auditors. This course is especially relevant to senior level staff who need to know more about the risks involved in volatile and highly complex markets. ● Regulatory Requirements ● Accounting for Derivatives, Controlling Risks. 2 days. £595.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

FEBRUARY 6-7
Developing The New IT Scorecard: How to Measure and Manage the Business Value of Information Technology
Delivering business value is a recognised priority for IT. The challenge lies in translating this goal into a measurable strategy. Packed with the latest thinking and practice, this is the only UK event where you will discover how to develop and implement a balanced IT scorecard.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

FEBRUARY 7
Regulation 1996
One day conference. This conference is the financial services regulation event of the year for IMRO and PIA members. The regulators themselves provide the essential information you need to understand the latest compliance issues affecting your day-to-day business. After a lunchtime address by Sir Thomas Arnold MP there will be parallel sessions for PIA and IMRO members covering current developments and future trends. CPD: 5.5 hours.
Contact: Vicki Goffin, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

FEBRUARY 8-9
The Fundamentals of Pricing and Trading Swaps
This practical introductory course will provide an in-depth grounding in all aspect of swaps and their real-life applications. Learn, the structure of the different types of swaps in use, the basic mathematics behind swaps, practical pricing and trading applications, how to run a porfolio of swaps. Included in the seminar are practical hands-on workshops and case studies which will ensure that you make the jump from theory to practice with outstanding results.
Contact: Jeff Hearn at IFF
Tel: 0171 344 3833 Fax: 0171 344 0083
LONDON

FEBRUARY 12-14
Technical Analysis in Practice
A unique three day practical seminar lead by one of the world's most successful technical analysts, Brian Marber. Learn the real secrets of successful technical analysis and how you can apply them in practice. Topics covered include the theory and practical appliations behind Elliott Wave, Gann Theory, Dow Theory, Fibbonacci, how to formulate practical charting techniques, using technical indicators, the potential of Japanese Candlestick Charting, and many more essential topics.
Contact: Jeff Hearn at IFF
Tel: 0171 344 3833 Fax: 0171 344 0083
LONDON

FEBRUARY 16
New Markets for Smaller Company Shares
One day conference. This conference is an essential guide to the Alternative Investment market, EASDAQ, Electronic Stock Interchange and OFEX for companies, investors and advisors. There will be up-to-date advice from regulators, corporate finance advisors, venture capitalists and from representatives of smaller companies who have already been there. CPD: 6.5 hours: ICAEW: 17points
Contact: Vicki Goffin, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

FEBRUARY 19
FT London Motor Conference
This twelfth FT Conference will consider how the European motor industry is preparing for the 21st century. Developments in multi-franchising, opportunities in the European aftermarket and the impact on the sector of innovation in IT will be among the topics to be discussed.
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171 873 3975/3969
LONDON

FEBRUARY 19 - 22
Global Information Access
A multi-event series covering the convergence of communications, computing and multimedia technologies, highlighting the increasing importance of global information access in everyday business practice. Expert speakers present leading edge developments and new; end users discuss their experience of applying these technologies to competitive advantage.
Contact UNICOM Seminars
Tel: 01895 256 484, Fax: 01895 813 095
LONDON

FEBRUARY 22
The Law of the Internet
Commerce on the Internet: can you afford to ignore the risks, threats and legal implications? This seminar by UNICOM is co-organised by specialist IT law firm Bird & Bird, and chaired by Chris Reed of the QMW IT Law unit. It features expert presentations, and a debate between the ITC and OFTEL on regulating the Internet.
Contact UNICOM Seminars
Tel: 01895 256 484, Fax: 01895 813 095
LONDON

FEBRUARY 26
Regulation & Accountability for New Media Advertising
How will regulation & accountability for new media advertising affect your business? Who will regulate? What are the legal ramifications of using unsuitable material on the Internet and how can advertisers fully understand the legal parameters? Presentations and debates from On-line advertisers, advertising agency representatives, media regulators and on-line service providers.
Contact Marketing Week conferences
Tel:L 0171 434 3711 Fax: 0171 287 8706
LONDON

FEBRUARY 26-28
Effective Strategies and Techniques for forecasting Financial Markets
This intensive 3-day training course explains and evaluates the different strategies and methods for forecasting financial markets. Providing delegates with a wealth of practical knowledge including technical analysis, moving average models, charting, trend analysis, exponential smoothing and how to build trading systems.
Contact: Jeff Hearn at IFF
Tel: 0171 344 3833 Fax: 0171 344 0083
LONDON

MARCH 20
1996 Japanese Candlestick
The first and only candlestick charting workshop available outside of the United States. This unique seminar is led by the western world's foremost expert on candlestick charting techniques, Steve Nison. This seminar will provide the essential tool for any trader to get a competitive edge in the markets through the use of candlesticks. Learn how to understand and draw the different candlestick formations, why candlesticks are more effective than any other charts, how to combine candlesticks in your trading strategies. Leave having unlocked the secrets of Japan's closely guarded technical tool. Limited places available.
Contact: Jeff Hearn at IFF
Tel: 0171 344 3833 Fax: 0171 344 0083
LONDON

MARCH 21 & 22
FT World Steel Industry - Towards a Truly Global Industry?
The second World Steel conference, organised by FT Conferences in association with CRU International Limited, will discuss the latest structural developments in the sector and consider supply, demand and trade issues. These themes will be addressed from both user's and producer's perspectives.
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171 873 3975/3969
LONDON

MARCH 25 & 26
FT World Pharmaceuticals Conference
Leaders from all parts of the healthcare delivery chain will address this major conference, arranged jointly with Coopers & Lybrand. Speakers will consider how the pharmaceutical industry needs to transform itself and create new organisations with new cultures to meet the challenges of the changing marketplace.
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171 873 3975/3969
LONDON

MARCH 28
InterXchange 96 - Strategic Investment Management Forum
Discuss with industry experts the issues that will shape the investment management business towards the next millennium. One intensive day examines: ● Strategic drivers for business growth; ● Impact on UK managers of emerging European/global legislation; ● The integrated European investment market - opportunities & risks; ● Business impact of new technologies on industry structure & operations. Sponsored by: Royal Bank of Scotland, S.W.I.F.T., Citymm.
Contact: Catherine Wyville, ANR
Tel: 0181 947 2684 Fax: 0181 946 3195
LONDON

APRIL 11
Lease Evaluation
For those who need a basic grounding in the evaluation and profitability of pre and post tax returns: ● Computation of tax flows; ● Time value of money; ● Discounted cashflows; ● Post and pre tax returns.
Contact: Ross Tanner - BPP Bank Training
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

INTERNATIONAL

JANUARY 23-26
Accessing Global Equity Markets
A series of one-day forums offering practical guidance for European executives interested in latest trends in international capital markets. It will demonstrate how the relationship between US investors and European companies can best be managed. A choice of locations: London, Paris, Frankfurt.
Contact: Diane Werbert at
The Conference Board Europe in Brussels
Tel: 32.2/675/54/05 Fax: 32.2/675.03.95
LONDON, PARIS, FRANKFURT

JANUARY 25
The Changing World of Work: The Public Affairs Agenda
This forum, hosted by IBM, will look at the public affairs aspects of The Information Society. Spokesmen from industry and the European Commission will present viewpoints on: changes in the world of work and user demands, progress in infrastructure development, new directions for data protection law and practice and the European Commission's Action Plan for the Information Society.
Contact: Diane Werbert at
The Conference Board Europe
Tel: 32.2/675/54/05 Fax: 32.2/675.03.95
BRUSSELS

JANUARY 31 - FEBRUARY 2
SADC Consultative Conference on Trade and Investment
Conference and workshops providing the private sector with the unique opportunity to learn about trade and investment prospects in the 12 Southern Africa countries and to influence and help plan the future trade and investment regime. Detailed discussions can be held with Ministers and senior Government officials, international institutions and leading Southern African private sector trade and investment partners. Companies may also participate in an associated exhibition.
Contact: Metra Sofres Ltd.
Tel: 44-181 688 5535 Fax: 44-181 688 4005
JOHANNESBURG

FEBRUARY 4 & 5
FT Commercial Aviation in the Asia Pacific Region
Themes for this years conference will include: The potential and problems of new airline development in Asia; the future of air traffic rights in Asia; the development of national aircraft manufacturing industries in the region; and opportunities in aviation growth markets - China and India.
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171873 3975/3969
SINGAPORE

FEBRUARY 27 & 28
Creating Successful Public/Private Partnerships in Trans-European Transport Network
Hear direct from Neil Kinnock, European Transport Commissioner, the latest developments and finance opportunities for Trans-European Transport Networks following the key Transport Ministers meeting in Brussels in December 1995.
Contact:Linda Mckay, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
BRUSSELS

JULY 22-26
Expogorod '96
Equipment for Municipal Management
Themes of the Specialised Int. Exhibition that is actively supported by Moscow City authorities will include: water supply, sewage, power generation and supply, greenery planting, municipal medicine, law enforcement service, traffic control, environment conservation, etc.
For details contact Expocentr, ZAO
Fax: 007 095/205 60 55 Tel: 255 37 38
MOSCOW

BUSINESS TRAVEL

French travel threat

France's worsening public sector strike threatens even bleaker winter travel this week, reports John Ridding in Paris. Cabin staff at Air France and Air Inter, the domestic carrier, threaten to join rail, metro and bus workers to express their grievances in industrial action. The cabin staff strike is due to take place on Thursday and to last for 24 hours. In recent strikes at the airlines, services have been maintained at a relatively high level, with few cancellations. So far, there are no signs that other carriers will be affected, although an invasion of runways at Orly airport last week by members of the communist-led CGT union revealed that the risk exists.

Eurostar cross-Channel rail services have proved relatively resilient to the strike, which has crippled the French national railway system. But the disruption on the rails, which has seen a significant number of Eurostar services cancelled between London, Paris and Brussels, is expected to continue this week.

Strict smoking curbs

Singapore, which already had the toughest smoking curbs in Asia, has tightened them further. Smoking is now banned in air-conditioned shopping malls, pedestrian underpasses and outdoor public places where two or more people queue, such as bus stops, and will eventually be banned in bars, discos and other nightspots. The authorities are determined to make the city-state the world's first smoke-free country.

Smoking is already banned in air-conditioned offices and factories and in air-conditioned or enclosed common areas of private residential buildings.

Sabena strike warning

Unions are warning of weekly strikes at Belgian airline Sabena unless the management backs down over pay and work hours.

A 24-hour strike last Wednesday cost the company about $5m (£3.3m), officials said.

● Pilots at Iberia, Spain's national carrier, last week called off a series of strikes scheduled for later this month after their union and management agreed on mediation to help negotiate new working agreements.

Snow guarantee

Travellers bound for western Scotland might like to know that the Turnberry Hotel will refund the cost of a night's accommodation and dinner if frost or snow prohibit play on its Open championship Ailsa golf course, writes Michael Thompson-Noel. The guarantee runs until March 7, with various conditions.

The offer relates to a minimum stay of two nights, booked at least 48 hours in advance. Ryanair recently introduced a new flight from London Stansted to Prestwick – 25 minutes from Turnberry – four times daily, at between £59 and £99 return.

Aids highlighted

Aids activists in India are determined to raise the political visibility of the disease, which affects an estimated 1.5m people in the country.

The World Health Organisation estimates at least 5m people in India could be infected with HIV, the virus that can lead to Aids, by 2000.

One expert has warned that because of the high mortality from tuberculosis or even diarrhoea, "people don't see Aids having an immediate impact".

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	13	[illegible]	10	[illegible]	[illegible]
Hong Kong	22	21	21	21	20
London	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Frankfurt	-1	-3	-4	-2	-4
New York	9	[illegible]	[illegible]	[illegible]	[illegible]
L. Angeles	19	18	20	23	21
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	5	1	2	1	2
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Train at the centre of a love-hate affair

Eurostar wins with passengers but the travel industry is less happy, says Amon Cohen

Professor Raymond Levy is a contented man – and not only because his daughter is getting married this week. As a regular traveller between London and Paris, Prof Levy, a professor at London University's Institute of Psychiatry, is also a highly satisfied customer of Eurostar, the Channel tunnel passenger rail service which has just celebrated its first birthday.

Indeed, Eurostar has a birthday present for Prof Levy and other frequent users. Next summer it will introduce a loyalty scheme similar to those operated by airlines.

Meantime, European Passenger Services, the company which operates Eurostar, can bask in the knowledge that it has attracted a claimed 40 per cent share of the combined rail and air markets on the London-Paris and London-Brussels routes.

In spite of the inevitable sneering that greets large capital projects in the UK and some horrendous delays in its early days, many Londoners are delighted that they no longer have to slog out to an airport.

Keith Haynes, sales and marketing director of business travel agency P&O Travel, reports that one of his clients has switched 80 per cent of its London-Paris traffic to Eurostar.

Alec Perkins of Carlson Wagonlit Travel's dedicated office at Shell International, near Eurostar's Waterloo International terminal in London, says the service offers travellers "convenience, frequency and reliability".

Prof Levy, who has journeyed on Eurostar 15 times, agrees with Perkins' view. "I would not use the air service any more unless I was staying somewhere near either Charles de Gaulle or Orly airports," he says.

Yet in spite of the praise from travellers, there are many critics of Eurostar, particularly within the travel business. Company travel managers and travel agents are happy with the product but not with the sales operation which supports it.

Their complaint is threefold. Perhaps the most irritating problem is that even with a supposedly flexible first-class ticket, travellers cannot change easily from their scheduled departure to a later or earlier train. They are obliged instead to buy a new ticket and claim a refund.

For agents, the main aggravation is that most are still unable to book Eurostar seats and issue tickets on the computer reservations systems standard in the industry. Instead, they have to telephone a sales line and wait for EPS to post the tickets.

Just 80 of the 7,000 or so UK travel agents have been using the EPS proprietorial hardware and software system, called Tribute, mainly found at travel agencies' head offices and at main railway stations.

But having only one computer in a busy office is a gross inefficiency. "We had 11 consultants fighting to get on it," says Perkins.

The Carlson Wagonlit office at Shell is now one of two in the UK piloting a live link to Eurostar on Galileo, the computer system used by most UK agents. But others are still waiting for a much-delayed link which is now promised for next March.

"I know that integration into Galileo is coming, but so is Christmas," says James Myles, managing director of agency Protravel International.

For travel managers charged with keeping their employers' travel costs under control, the principal gripe is that, unlike the airlines, EPS will not agree to route deals. Such a deal with an airline works on the principle that the carrier gives the client a discount in return for the client agreeing to put a fixed minimum amount of business its way.

The intransigence of EPS is a double blow for cost-conscious travel managers: not only do they have to pay the full fare, but the desertion of the airlines for Eurostar is jeopardising existing route deals with the competing carriers.

"I want some reward for moving my passengers away from the airlines," says Richard Cornwell, senior travel manager at Price Waterhouse, the accountancy firm, and chairman of the Institute of Travel Management, an association of corporate travel buyers.

"I am losing out on my British Airways route deal because our employees are moving on to Eurostar," adds Cornwell.

In short, although Eurostar's chief attractions are that it avoids the disadvantages of air travel – the trip out to the airport, the lengthy check-in procedures – critics say it is failing to provide the advantages that airlines do offer such as route deals.

What particularly angers them is that they have been making the same complaints since the Eurostar service was launched, but have seen little progress. Now the service is in danger of losing their considerable goodwill unless problems are fixed.

"They have had so much time to plan a perfect system," says Andrew Solum, travel manager of Inmarsat, the international satellite telephone operator. "I've got travellers who now say they would rather fly because it is easier to change their tickets."

Paul Tracy of EPS takes the criticisms in his stride. He admits there have been problems with ticket flexibility, particularly for travellers returning from Paris. But he says most of the difficulties have been ironed out and will be eradicated when the UK, French and Belgian railway companies integrate their ticketing systems in February.

Of the belated introduction of CRS reservations, he says that delay was unavoidable. "Only a limited amount of money can be used for investment at different stages and our first job was to get the product up and running, otherwise there would have been no trains to ticket," he says.

When it comes to route deals, however, Tracy makes no apologies for not granting concessions. He argues that the advantages of travelling by Eurostar outweigh the price.

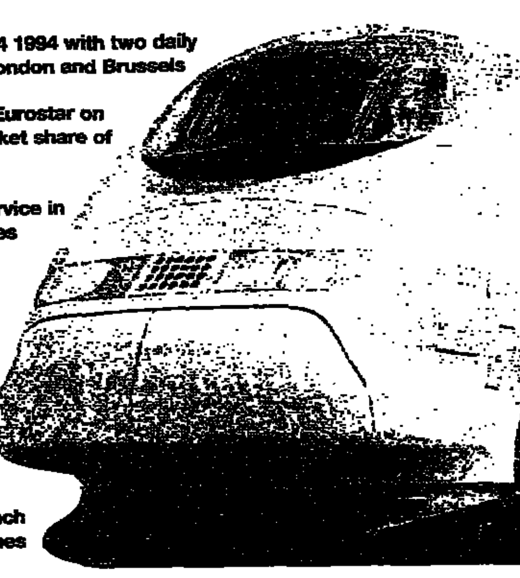
In any case, he says, Eurostar tariffs are between £30 and £40 cheaper than comparable return airfares when elements such as airport taxes are taken into account.

Even more straightforwardly, Tracy sees no need to discount when his product is in such demand. "It is often the companies which argue most strongly for route deals that have the most employees travelling with us because they prefer the service," he says.

For the moment, therefore, Eurostar thrives because it is the people's choice. But unless EPS is careful, the powerful constituency of travel managers and agents might decide to dispatch their travellers to Paris and Brussels by other means.

Eurostar's track record

- **Eurostar was launched on November 14 1994 with two daily return services between London and Paris/London and Brussels**
- **Of all passengers travelling by air and Eurostar on the routes concerned, Eurostar claims a market share of 40 per cent**
- **Just under 3m passengers used the service in its first year of operation. Eurostar now carries about 70,000 passengers a week**
- **There are 11 return services a day between London and Paris Monday to Thursday; 12 services on Friday to Paris, and 10 on Saturdays and Sundays. Eurostar runs six return services every day London to Brussels**
- **Next year Eurostar will step up the Paris service to 15 times a day and will also increase the Brussels service. And it will launch through services on mainland UK InterCity lines**



Curbs on Russian visas

Russia's foreign ministry has decided to introduce tougher visa requirements to counter what it calls western embassies' "discriminatory" attitude to Russian travellers, officials said in Moscow last week.

"We are simply bringing our visa practices in the western countries in conformity with their work here," said Nikolai Sadchikov, deputy head of the ministry's consular service.

Russia has long complained that western embassies in Moscow were extensively quizzing Russian applicants about their financial position, family ties and travel plans.

Some embassies have demanded that Russian travellers provide guarantees that they would return to Russia.

"It has become common for them to ask Russians the most weird questions and to demand from them the most unexpected papers," Sadchikov said last week.

From now on, Russian consulates abroad will be authorised to introduce similar procedures for westerners applying for Russian visas, Sadchikov said.

"We have fully liberalised our visa practices, while western countries have taken discriminatory steps against the Russians, contrary to their own declarations," he added. "We can only hope they will revise their approach now."

هكذا من الاصل

MEDIA FUTURES

When video springtime sets the Glitter Palace aglow

Michael Thompson-Noel describes Bill Gates' views on the future of advertising

Globally, the advertising *business is doing well*, though its present-day health and wealth may look *like very flat* beer from the vantage point of 2010 if the grandiose predictions of Micro*soft boss Bill Gates come true.*

If you listened to those who own and run media companies, *you probably wouldn't guess* that worldwide advertising expenditure is frisking ahead *nicely. But it is. According to* new forecasts from the UK media specialist Zenith Media, *to be published today, global* main-media advertising expenditure for 1995 is expected to *reach $260bn, up 7.3 per cent* on last year.

"Main media" means televi*sion, print, radio, cinema and* outdoor advertising. Add in other forms of marketing communications expenditure – chiefly: direct mail, point-of-sale and sales promotion – and the *total global spend for 1995,* says Zenith, is likely to be $352bn, 6.7 per cent ahead of last year.

Next year will be even jollier. In the US, 1996 will be a *presidential election year, and,* in Atlanta, an Olympic Games year – two good reasons why *Zenith expects next year's* north American ad spend to improve by 6.2 per cent on *1995, to $194bn, helping to pro*pel the worldwide main-media ad spend to $280bn, up 7.9 per cent.

Oh yes, Bill Gates. The jacket of Gates' just-published *book, The Road Ahead* (Viking, £17.50), describes it as an authoritative, provoking and *readable guide to the informa*tion highway – and hardly a reader would have grounds to *sue.*

Of special interest to the marketing fraternity are Gates' views on the *future of advertis*ing – gleaned, I imagine, by consulting the hottest suits on *Madison Avenue* and then filtering their opinions through Microsoft circuitry.

Industry after industry will be changed by the advent of the information highway, *says* Gates – he prefers the phrase "information marketplace" – as the digital *revolution* ushers in what he calls low-friction, low-cost capitalism, in which market information will be plentiful and transaction costs low: "a shopper's heaven".

Most of what Gates has to say about the future of advertising is based, naturally, on the dawn of big-time narrowcasting – opposite of broadcasting – and the way that narrowcasting will allow advertisers to beam their sales messages at intensely focused target audiences.

"Today," says Gates, "televi*sion viewers* are targeted on a cluster basis . . . The broadcast advertiser is dealing with aggregated information about the viewer, based on a statistical sample. Broadcast advertising reaches many people who aren't interested in the products."

Magazines, on the other hand, are often aimed at more closely targeted audiences – *even groups as narrow as* teddy bear fans. People buying *a teddy bear magazine want to* see ads for teddy bears and their accessories. In fact, peo*ple often buy special-interest* magazines as much (or more) for the ads as for the articles.

"The *information highway*", says Gates, "will be able to sort consumers according to much finer distinctions, and to deliver [to] each a different stream of advertising." This will profit everyone: viewers, advertisers and online media owners.

"Data can be gathered and disseminated without violating anyone's privacy because the interactive network will be able to use information about consumers to route advertising without revealing which specific households received it. A *restaurant chain would know* only that a certain number of middle-income families with small children received their ad . . . These closely targeted advertisements will be of more value to the advertiser, so a viewer could subsidise an entire evening *of television* by watching a small number".

Some advertisers – Coca-Cola, for example – want to reach everyone, says Gates. But even Coca-Cola might decide to aim diet cola ads at households that had expressed an interest in diet books. Or a company might advertise the same product to everyone but vary the actors in the ads by gender, race or age. To maximise the value of advertising, advanced algorithms will be *required to handle ad breaks* within programmes for very small groups of viewers.

Because individually targeted ad streams will be flowing through the network all *the time, video advertising is* likely to become cost-effective even for small guys. Even corner grocery stores and the local dry cleaner will be able to *advertise in ways they could* not before, says Gates. These localised ads might be beamed *at just a few streets, or address* ultra-specific interests, fads and foibles.

Just possibly, by 2010 the annual global main-media ad spend may have vroomed to a tad short of $1 trillion. Or not.

Even classified advertising – today's most effective way to reach a narrow audience – will enjoy a video springtime, says Microsoft's chief, because tomorrow it won't be tied to paper or limited to text.

Looking for a used car? Then you'll issue a query specifying *the price range, model and fea*tures that interest you, and will be sent lists of cars avail*able. At first, online classified* ads will not be very attractive, but eventually the information highway's classified ad service will be transformed. Even junk-mail is in for big changes, says Gates. Direct-mail shots on the information highway will come in the form of an interactive multimedia document.

Yet we will not, says Gates, be drowned by a deluge of unimportant advertising (or other) messages because we will use software – he calls it "softer software" – to identify the messages that really interest us.

On the highway, the principal information selection techniques will include spatial navigation, hyperlinks and agents as well as *filters. The aim of* this software will be to help us plumb seemingly depthless oceans of information without suffering the bends.

For example, most people will block e-mail ads except those they really want to see. To try and capture our atten*tion, advertisers may* offer us small sums of money to look at their ads.

"In effect", says *Gates*, "some of the billions of dollars now spent annually on media advertising, and on the printing and postage of direct-mail advertising, will instead be divvied up among consumers who agree to watch or read ads sent directly to them as messages."

If Gates is only half right with his forecasts, the advertising business, like all service *businesses, is in for a profound* shaking the moment it steps on to the highway. Indeed, the *production of ads and their dis*semination sound as though they will become far bigger *enterprises than they are* today. Just possibly, by 2010 the annual global main-media *ad spend may have vroomed to* a tad short of $1 trillion. Or not.

I am not usually a great spender, though in recent weeks I have whipped through hundreds of pounds' worth of spending with remarkably little help from those who toil in the Glitter Palace – the ad business. The money went like this: a packaged holiday: £450; treatment of rising damp: £1,460; new carpeting: £1,200; upholstery work: £1,200; a tennis racket: £99; repair of the boiler: £79; electrical work: £166.

I am astonished, in retrospect, at what an insignificant role – close to zero – advertising played in these spending decisions. The new carpeting, for example, was purchased in a fog of ignorance. I chose a shade of blue, and two of us visited an upmarket store. We came away with a sample. This *sample was then conveyed to* two cheaper stores and to a carpeting emporium in different parts of London. Eventually, the same shade of blue was discovered at a much lower price than the price of the carpeting in the expensive store.

It took two weeks to find the right stuff at a price I could live with. As an exercise in tapping all human knowledge on the availability in central London of bluebird-hued carpeting that costs between £15.99 and £21.99 per square metre, it was the opposite of the focused, filtered, online, hyperlinked, interactive, multimedia, spatially navigated video-romp that Bill Gates is promising us.

Just hope he knows what he is talking about.

Cyber sightings

● New York communications sector investment bankers Veronis, Suhler & Associates have set up a site (*www.vsacomm.com*) with an excellent range of industry resources, including the firm's Top 50 Index, a composite of the 50 largest US public communications *companies* ranked by total market capitalisation.

● Investec (*www.investec.com/index.html*) boasts interesting electronic stock and *commodity* trading information, including The Cutting Edge – with an introduction *to chaos theory*: "a new paradigm in trading".

If William Gibson were *a* broker, he'd have this site bookmarked.

● ClubWired, the interactive *forum through the HotWired* site (*www.hotwired.com*), has what sounds like an interesting online discussion *tonight* with David Kline, author of *Virtual Marketing 101* and the bi-weekly Market Forces column at HotWired. The subject is capitalism in cyberspace and it begins at 6pm *Pacific* time (2am GMT). You'll have to register if you're not already a member.

● The magazine of the American Association for the Advancement of Science (*http:science-mag.aaas.org/science*) is eminently browsable and very user-friendly. It includes a career opportunities section and Next Wave – an *electronic* network for young scientists.

● *The* marketing department at the University of Pennsylvania's Wharton School of Business has put up a useful site (*www-marketing.wharton.upenn.edu*) with details of activities, list of faculties, research and information for prospective students.

● *Brent-Friedenburg* Associates (*www.bfa.com*) is a Calgary-based firm of energy *economists that acts as a con*sultancy to the natural gas industry and publishes the *Canadian Natural Gas Focus* newsletter. Subscription details are at the site and the *publications can be sent* via fax or Internet.

● *Swiss Directory* (*www.swissdir.ch/swissdir*) is an index of companies doing business in Switzerland, and has profiles, product lists and information for companies seeking trading partners.

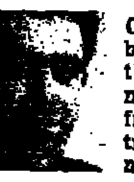
● The International Cotton Advisory Committee (*www.icac.org*) has statements and project details; good stuff for anyone in the sector, but the bureaucratic bits may prove overwhelming for the general reader.

● After World Aids day, the UK's Health Education Authority (*www.wad.hea.org.uk*) is putting out informa*tion on* HIV and prevention measures, while contraceptive maker Durex's site (*www.durex.com*) has an educational – as well as an entertaining – thrust (as it were).

● Despite its name, Sweet Seductions (*www.parallax.co.uk/seduct*) is *only mildly* vice-ridden. It's the site of a Leamington Spa-based *chocolatier and has an online order*ing facility if the graphics prove too tempting.

Stephen McGookin
steve@mcgook.demon.co.uk

Peapod's vision



Tim Jackson

Of all *the* businesses that will make *money* from electronic commerce, *supermarkets* ought to be *the very last.* Arguments for this proposition can be based *both on the cost of* building an electronic front-end for buying thousands of *fast-moving, low-value items,* and on the fact that supermarket shopping is already highly convenient.

Mass food retailing, like car manufacture, is one of the world's most finely honed process businesses. Competing *electronically against the per*sonal visit – when many people live only minutes away from supermarkets that offer keen prices and excellent choice – is not easy.

Until last week, I would have gone further and pronounced *the challenge impos*sible. But the other day I saw a leaflet given out by a man *in a green T-shirt in front of a* Safeway supermarket in Palo Alto, California, that changed my mind. The leaflet came from a company called Peapod, which has been in business for six years in Chicago and two years in the San Francisco Bay area.

Peapod was founded by Andrew and Thomas Parkin*son – brothers, aged 35 and 37* – who worked for Procter and Gamble in sales and in soft*ware and marketing respec*tively. Their service is straightforward. Customers pay a $6.95 monthly *fee for* access to Peapod's online network, which allows them to order groceries from a local supermarket using their PCs. They then pay another $6.95 for each delivery, plus a 5 per cent premium over the supermarket's published prices.

At first sight, it is hard to believe that browsing electronically through lists on a screen can be quicker than rolling a trolley down an aisle. But Peapod *allows* customers to set up a regular shopping list which they can order in seconds. It also lets them browse the supermarket by aisle, to see nutritional *information on each product* and prices per pound, and to seek special offers.

"*Our clients buy toilet* paper on price, hot-dogs by fat content, and they choose soda *according to what's on spe*cial," says Thomas Parkinson. The company can promise *delivery of goods within a 90*-minute window – with the same till receipt a conven*tional shopper would receive,* and soon enough for ice-cream to remain frozen.

Its service is personalised. You can ask for "three yellow, two ripe" when buying bananas. Price-conscious customers can hand product discount coupons to the Peapod delivery man for redemption.

The company's shoppers substitute similar brands when something is out of stock, and will call customers to check when necessary. Given these complexities, and the fact that supermarkets' distribution methods mean Peapod must pay someone $5 an hour to pick up the goods by wheeling an aisle trolley, how can the company keep *costs below prices?*

Three ways, apparently. First, it has found ways of making the shopping itself more efficient. Customer orders are printed for Peapod's shoppers in aisle order so that they can be ticked off more *easily*, and orders from the deli or the seafood counter are handed to the supermar*ket staff* on paper before the trolley starts its journey.

Second, division of labour *between shopping and deliv*ery. Some Peapod staff spend all day in a supermarket, ful*filling orders in an endless* circuit from entrance to till and back. Others drive the trucks; still others deal with problems over the phone.

Third, Peapod takes a kickback from the supermarket with which it has signed an exclusive deal – Safeway in California, Dual Foods in Chicago. With a grocery bill of $19m a year, Peapod can bargain hard for discounts. Its accounts are private. But according to Thomas Parkinson, the company is going great guns.

It has 8,000 regular customers in Chicago, and another 2,000 in the Bay area. This year, *it* has started mass marketing. Next year it hopes to expand to Boston. Interestingly, Peapod is only superficially a high-tech business. Complex though its software *may be, the company's com*petitive advantage lies in tight management of a very *low-tech process.*

For instance, it maintains accuracy by asking its shop*pers to check the last four dig*its of the barcode of every item they buy. It calls these *codes, whose real name is uni*versal product codes, "U Picked Correctly". Delivery *staff are rewarded for their* politeness by the standard US mechanism of tipping. No wonder that smaller competitors have built good order interfaces, only to fall down on delivery.

The company has three big *investors: Ameritech, a tele*coms business, and two newspapers, the Chicago Tribune and the Providence Journal. One of the reasons for these investors' holdings is no doubt the fact that Peapod is almost unique among online *services in having women* make up three-quarters of its customer base. This may prove useful *in years to come*, as online services seek to escape from their young, male, geeky ghettos.

Yet so far, Peapod isn't on the Internet. Complaining that the World Wide Web was designed for documents and not for commerce, the company says its client-server technology was easier to *implement on a private net*work of its own, which customers dial into using dedi*cated software*. Speed is an issue: during the early evening, Internet traffic can be so *slow as to make supermarket* ordering impractical.

Early next year, this omission will be corrected. When Peapod ventures on to the Internet, it hopes to find lots of new customers among the residents of the San Francisco Bay area, who are probably the world's most wired. I expect to be one of them. Given my previous cynicism about buying groceries on the Internet, I look forward to eating my words.

Tim Jackson can be reached at Tim.Jackson@pobox.com

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Asahi Chemical Industry 7.125% *Bd '99 Y712500.0*
Astra Cia Argentina de Petroleo 11.625% Nts Dec 2 '99 $290.625
Bupa Finance 10½% Sb Bd '18 £1050.0
Capital Inds 2.5p
Comunidad Autonoma del Pais Vasco 8% Bd '02 DM400.0
Croda Intl 3.25p
DCS Grp 1p
ENSERCH $0.05
Farnell Electronics 4.6p
Forte 2.75p
Fuji Bank Intl Finance Undtd Sb VRN $1618.75
Halifax Bldg Scty £775.0
IBM Credit 10¾% Yen-Lkd Nts *Dec 4 '95 $1075.0*
Do Yen-Lkd FRN Dec 4 '95 $309.65
Lloyds Bank Sb FRN '99 £18.54
Manchester Utd 3.1p
Manganese Bronze 3p
Metsec 1.1p
Mitsubishi 6¼% Bd '95 *Y62500.0*
Norway (Kingdom of) 7% Nts *'95 $350.0*
Panther Secs 1.3p
Paterson Zochonis 12.45p
Do 'A' (Non Vtg) 12.45p
Philippine Long Distance Telephone 10.625% Nts '04 $53.125
Pochin's 24p
Redland 5.5p
River & Merc Extra Inc Tst 1.96875p
St. Ives *6p*
Sanwa Finance Aruba Sb Pp *FRN Ser 4 $828.13*
Sears 1.05p
Sumitomo Bank Capital *Fxd/* FRN '02 $33872.22

■ ***TOMORROW***
Anglo Amer Inv Tst R1.0
Boxmore Intl 1.62p
Dairy Farm Intl $0.0165
Do (Jersey Reg.) $0.0165
Do (Singapore Reg.) $0.0165
Elys (Wimbledon) 2p
Gillette $0.15
Hankyu 7⅛% Bd 2000 *Y7125000.0*
Hong Kong Land (Bermuda *Reg.) $0.035*
Do (Jersey Reg.) $0.035
Do (Singapore Reg.) $0.035
Jardine Matheson (Bermuda Reg.) $0.078
Do (Jersey Reg.) $0.078
Do (Singapore Reg.) $0.078
Jardine Strategic (Bermuda Reg.) $0.046
Do (Jersey Reg.) $0.046
Do (Singapore Reg.) $0.046
Laird 4.7p
London Smaller Cos Inv Tst 1.11p
Mandarin Oriental Intl (Bermuda Reg.) $0.0155
Do (Jersey Reg.) $0.0155
Do (Singapore Reg.) $0.0155
Mercury Offshore Stlg Tst Shs European 0.07p
Do Shs Global Fd 0.51p
Do Shs Pacific 0.07p
Do Shs Reserve Fd 3.5p
Do Shs UK Fd 2.68p
NB Smllr Cos Tst 1.68p
New Central Witwatersrand Areas R1.05
QS Hldgs 1.58p
Superframe 0.7p
Tamaris 0.021375p

■ ***WEDNESDAY DECEMBER 6***
Brixton Estate 3.05p
Exmoor Dual Inv Tst 1.59p
Do Inc Shs 2.3p
Ferguson Intl Hldgs 4.5p
Glynwed Intl 4.4p
Halifax Bldg Scty FRN '99 £169.46
Irish Permanent Treasury FRN '97 £172.34
Old English Pub 0.33p
Tesco Capital 9% Conv Cap Bd '05 2.85p

■ **THURSDAY DECEMBER 7**
Anglo Irish Bank FRN '98 £171.40
Antofagasta 2p
Green (Ernest) & Partners 2.7p
Hammerson 10¾% Bd '13 £1075.0
Northern Rock Bldg Scty Sb FRN '02 £2018.01
ORIX 8.125% Nts '95 *Y4062500.0*
P & O Property 7½% 1st Mort *Db '97/02 £3.75*
Treasury 7½% '06 £1.4384
Do 8% 2000 £4.0
Do 8% '13 £4.0
Do 8½% '05 £4.25
Vistec 0.25p
Woolwich Building Society FRN '96 £172.03

■ **FRIDAY DECEMBER 8**
Abbey National Tsy Serv FRN '99 $14.69
Allied Signal $0.195
Anheuser-Busch $0.44
Barlows 0.5p
BMSS 2p
Canadian Overseas Packaging Inds C$0.65
Cardiff Auto Receivables Securisation Cl A FRN '97 £179.51
Do Mezz FRN '97 £205.68
Dai-Ichi Kangyo Bank Y4.25
DCC *IR2.71p*
Dun & Bradstreet $0.66
Flogas UNITS IR3.93p
Fuji Bank Y4.25
Halifax Bldg Scty FRN '99 $14.85
Hoare Govett 1000 Index Inv Tst 0.75p
Hoare Govett Smllr Cos Tst *Index Inv 1p*
International Biotech Tst 1p
JBA Hldgs 1p
My Kinda Town 0.2p
National Australia Bank Sb VRN 2000 £179.20
NatWest Bank Cap VRN '09 £182.31
NEC Y5.0
Nippon Chemi-Con FRN '96 $313.26
Nippon Credit Bk (Curacao) Fin Fxd/FRN Jun 10 '04 $3208.85
Do Fxd/FRN Dec 8 '04 $3208.85
Portman Bldg Scty FRN '97 £171.40
Radamec 0.8p
Reed Intl 5% (3.5% net) Cm Pf 1.75p
Do 7% (4.9% net) Cm Pf 2.45p
Sanwa Bank Y4.25
Standard Chartered Undtd Prim Cap FRN (Ser 3) $303.09
Tarmac 3p
Texaco Cap $0.80
UDO Hldgs 7.08p
Uppsala (City of) FRN '98 $305.0
Warner-Lambert $0.65

■ **SATURDAY DECEMBER 9**
Densitron Intl 0.55p
European Inv Bank 9¼% Ln '09 £237.50
Five Oaks Inv 0.4p
General Motors $0.30
Houston Inds $0.75

■ **SUNDAY DECEMBER 10**
Halifax Bldg Scty 13⅝% Perm Int Bear Shs £3406.25
Treasury 8% '03 £4.0

UK COMPANIES

■ ***TODAY***
COMPANY MEETINGS:
Heritage, Unit 3, Marshgate Lane, E., 9.00
Kleinwort Development Fund, 10, Fenchurch Street, E.C., 12.45
BOARD MEETINGS:
Finals:
Bearing Power Int
Butte Mining
Faber Prest
GET Grp
Interims:
Acal
Alba
Allen
Assoc Nursing
Hadleigh Inds
Hazlewood Foods
Plysu
Scottish & Newcastle
TGI

■ ***TOMORROW***
COMPANY MEETINGS:
Barry Wehmiller, 1, *Finsbury Avenue,* E.C., 10.30
London & St. Lawrence Inv, 10, Orange Street, W.C., 12.15
River & Mercantile Extra Inc Tst, New Connaught Rooms, Great Queen Street, *W.C., 12.00*
Upton & Southern, 175, Linthorpe Road, *Middlesbrough, 11.00*
BOARD MEETINGS:
Finals:
Archimedes Inv Tst
Edinburgh New Tiger Tst
Eldridge Pope
Hozelock
Leeds Grp
Sage
Shaftesbury
Interims:
Allied Colloids
Anglian Grp
Dailywin
Leigh Interests
Midlands Elec
Morris Ashby
Northern Ireland Elec
Orbis
Racal Elec
Real Time Control
Siebe
TBI
Triplex Lloyd
Wessex Water

■ **WEDNESDAY DECEMBER 6**
COMPANY MEETINGS:
Scottish Asian Inv, 30, Coleman Street, *E.C., 10.00*
Scottish Metropolitan Property, *Glasgow Hilton Hotel, Glasgow, 11.30*
UDO Hldgs, Great Eastern Hotel, *Liverpool Street, E.C., 11.00*
BOARD MEETINGS:
Finals:
Avon Rubber
Bass
Berisford
Carlton Comms
Calltech
Fleming Indian Inv Tst
NFC
Interims:
BTP
Border TV
Cafflyns
Chamberlain Phipps
Claybithe
Drummond Grp
Expro Int
Hill Hire
London Cremation
Penna
Robert Wiseman Dairies
South Wales Elec
Sterling Publishing
WT Foods
Wellman

■ ***THURSDAY DECEMBER 7***
COMPANY MEETINGS:
Eurovein, 3, Meadow Court, Amos Road, Sheffield, 11.00
Investors Capital Tst, 1, Charlotte Square, Edinburgh, 12.30
Paramount, Farndon Arms, Farndon, Chester, 10.00
Photo-Me Int, Church Road, Bookham, Surrey, 6.00
Stratagem, Exchange House, Primrose Street, E.C., 10.30
BOARD MEETINGS:
Finals:
Alvis
Compass
Dewhurst
Estates & Agency
Eve
GWR
Greenalls
Lowell
United Drug
Interims:
Abbeycrest
Airsprung
Assoc British Eng
Fine Art Dvlpmnt
GEC
Gibbon
GUS
Greycoat
Hartstone
Heath (Samuel)
High Inc Tst
Ideal Hardware
Norbain
Rainford

■ **FRIDAY DECEMBER 8**
COMPANY MEETINGS:
Assoc British Foods, New Connaught Rooms, Great Queen Street, W.C., 11.00
Clyde Blowers, 47, Broad Street, Glasgow, 11.30
Greystone, Midland Holiday Inn Crowne *Plaza, Peter Street, Manchester, 11.00*
Highland Distilleries, Royal Scottish *Automobile Club, 11, Blythswood Square,* Glasgow, 12.00
Pressac, Novotel, Bostock Lane, Long Eaton, Nottingham, 11.00
BOARD MEETINGS:
Finals:
Ransomes
Unidare
Interims:
Courts
Crown Eyeglass
Fuller Smith & Turner
Swan (John)
Syltone
Tarra (John)

■ **SATURDAY DECEMBER 9**
COMPANY MEETINGS:
Cradley Grp, Chester Road, Cradley Heath, Warley, W. Midlands, 10.00

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

Why rugby's King should keep his head

SPORT

KEITH WHEATLEY

Along the touchline were spread the usual flotsam and jetsam of an under-graduate rugby match. Injured team-mates, girlfriends with gum, chums who'd rather take the coach than slog through a Wednesday afternoon physics practical.

On the pitch, Bristol University were comprehensively slaughtering their opponents, Southampton University. There were whispered questions amongst the small crowd. "Which one's King? Is that Alex?"

The man himself, Alex King, played at fly-half for Bristol with languor rather than fervour. His acceleration, finger-tip ball-handling, and imaginative distribution marked him out as a cut above his colleagues. But although he visibly enjoyed the game, King's heart didn't seem to be in it.

Perhaps his mind – understandably – was elsewhere. The previous day the 20-year-old accountancy and economics student had been named to play as outside-half for England 'A' against Samoa on December 13. To leap from student rugby to national honours is heady enough, but with debate raging as to a long-term replacement for Rob Andrew in the full England team, King's rapid ascent is doubly intriguing.

And there is more. With the advent of professionalism in rugby union, top clubs have been approaching King and offering substantial signing-on and playing fees. When he began his degree course 15 months ago, there was no such prospect as a career in rugby, but now temptation is everywhere. There are no guidelines to help him, and the clubs are as confused as the players.

"It's just mind-blowing at the moment," said King after the match. "To be a student, sharing a house and going for a few beers with your mates, and then the phone goes and you're having big offers thrown at you."

There is already pressure to drop knockabout student rugby, but he says he enjoys the camaraderie too much to think of it. Yet Gloucester, who were the first to offer him terms, would surely think of it. Director of coaching Richard Hill is too shrewd to risk the club's money on a key player who may be out for months after a "fun" game with his mates against Southampton University.

Other clubs have followed Gloucester's approach, and King is already wondering whether it may be possible to earn the "pocket money" to provide a car and a few more beers yet remain a student, with all that that entails.

"I don't really want to sign my life away just yet," says King. He is a good-looking lad whose goatee beard would mark him out amongst the England backs. "My priority has got to be a good degree. I need at least a 2:1 if I'm going to go into law, which is the current plan."

He is not the only Bristol University player trying to navigate through this virgin territory. Team-mates Fraser Waters and Mark Denney, half of the England under-21 back division, are already being chased by local powerhouses Bath.

All this places an onus far beyond coaching on the university's sports director, Bob Reeves. Whilst Reeves is delighted that his players have the talent for national representative honours straight from student rugby – side-stepping the time-consuming grind of first division club competition – he sees a formidable responsibility in advising them how to handle their commercial desirability.

Alex King reflects: "I don't really want to sign my life away just yet"

"It's very worrying for me," says Reeves. "They're all being chased by big clubs and we just hope they keep their feet on the ground. They're sensible lads, but – because they are free agents – they are going to attract some large offers. It's very flattering if you're 19 or 20 to have someone wine and dine you and say 'Let's talk business'."

In discussions with his soar-away protégés, Reeves has stressed what early days these are to talk of a fully professional era of senior club rugby – and how quickly the bubble may burst from a variety of causes.

Yet this is not what King & Co are reading in the sports pages. Newcastle, with Andrew's contacts and Sir John Hall's cash, are talking player packages worth £50,000. Shrewd observers reckon that the day of the £100,000 transfer fee is almost here. Down the road from the university, Bristol RUFC already have £5,000-per-player trust funds in place for this season.

But Reeves stresses to his players the importance of not getting carried away with the multiple zeros of the soccer world. "It's a different ethos. Most of the players haven't got degrees, and the ones that don't make it tend to end up running newsagents' shops," he says.

The match that put King's crown on his head was a blinding display nine days ago for South-West when England coach Jack Rowell just happened to be in the stands. King's pace and space made him conspicuous even amongst far more senior players.

With the hunt on for a national stand-off half who has – perhaps – a decade's play in him, let us be hypothetical. Alex King plays out of his skin against Samoa, whereas Mike Catt (currently wearing No 10 for the full England side) has a poor game against the same opposition at Twickenham three days later.

It would be hard for Rowell not to consider Alex King as fly-half for the Five Nations championship early next year. The England squad currently expect about £30,000 a man for the coming season. That would buy plenty of beer around Bristol's student bars.

Venerable Ripon punts on its future

Colin Amery visits an historic English city that is applying for lottery funds to safeguard its heritage

Cities, like other landscapes, grow and change if nurtured, and, if neglected, wither and die. The finest cities are rooted in nature and growth, something that John Ruskin knew about and explained so well in both *The Stones of Venice* and in *The Lamp of Memory*.

It is no coincidence that Ruskin started *The Lamp of Memory* with a description of a remote and beautiful pine forest.

For him, as for us, the powers of association between nature and architecture are striking. Only the oldest cities in Europe have these strong associations, and in England these tend to be the great cathedral cities.

One city in particular has retained a potent link with its ancient origins and that is Ripon in Yorkshire. Its cathedral still dominates the town and stands upon the crypt of St Wilfrid, which dates from 670 AD.

But it is not only age that makes Ripon remarkable. It is the fact that it is still a place that is complete and rare. To stand on High Saint Agnesgate is to see a view of the cathedral that is timeless. To look across the beautiful countryside from Studley Royal towards Ripon is to enjoy one of the best views in England.

Ripon repays careful study because it shows in microcosm almost all the problems and potential of any historic town.

It is easy to examine because it is a small place; the population is some 12,000. It is still one of those cities where trees and the surrounding countryside are part of your view whichever way you turn.

Its weekly markets still seem to relate to the activities of the surrounding dales, and the feeling of a coherent, modest community persists.

Ripon is about to do something remarkable. It is the first city to be preparing a bid for funds from the UK national lottery for the regeneration and protection of the fabric of its entire heritage. The bid will be submitted to the heritage lottery fund from the city as a whole.

In its first annual report, published last week, the heritage fund explains, albeit rather cursorily, how it has selected 79 heritage projects to share slightly more than £56m from April this year.

The fund cannot solicit bids but it states its aims clearly: "The challenge is to encourage and support the most imaginative possible use of Britain's heritage so that the past – presented with flair, innovation, excitement and vision – becomes a vital and inseparable part of the future." This is a tall order, because "heritage" is such a huge thing, ranging from entire cities to rare species of sheep.

Ripon seems to me to be an ideal initial candidate for a unified bid for lottery cash. A preliminary study and exhibition was prepared by the Prince of Wales's Institute of Architecture, and its report, *A Vision of Ripon*, was a catalyst in unifying the local authorities and the amenity societies.

Clearly, as much participation as possible should also come from local people to ensure that the rejuvenation is democratically achieved.

The completion of the bypass and the consequent removal of heavy traffic is the pivotal factor that will allow for the restoration of the fabric of the city centre.

At the heart of Ripon is the cathedral and the market square, and plans exist to link them with a pedestrian route along Kirkgate. A big supermarket will be moved from its inadequate home on the marketplace to an edge-of-city site where it can enjoy adequate parking.

That decision seems to unlock the potential of the market square as a suitable location for improved small shops and a public library. The square has a giant obelisk commemorating 60 years' service (in 1781) as an MP of William Aislabie, from nearby Studley Royal, and also has a fine town hall by James Wyatt built in 1801.

To the west of the market is a surprisingly large area of run-down back-land that would be ideal for new houses and small businesses.

Almost all small market towns merit exploration behind the main streets, as there is always a lot of potential development land that has been forgotten. The same thing applies to canals and rivers in cities. They are often neglected, and in Ripon there are several canal and riverside sites that offer great opportunities.

In *A Vision of Ripon* much emphasis was rightly placed on the need for very high-quality refurbishment and new building. This is surely where lottery cash comes in.

To present an agreed and united bid from the whole city for the whole city is in itself remarkable, but the money must ensure that nothing is done to Ripon at the end of the 20th century that is not as good as the finest parts of its cathedral or the finest old house in the city.

The terms of reference of the heritage lottery fund do not allow money to be given to private individuals or commercial companies, but a few million can easily support the efforts of a trust so that a small place like Ripon can plan its future.

The lottery cascade has encouraged new ways of thinking about the arts and about heritage. It is clear that new and flexible ways will have to be devised to protect the best ancient and historic cities.

It is not only individual buildings that need help. Ways have to be found to repair and to renew our cities, and the lottery is already starting to provide the means for individual projects. It could as easily be used to repair and renew the fabric of the nation. Ripon looks like a good place to start.

ARTS

OPENINGS

LONDON
Three of London's "Christmas" entertainments open this week: "Treasure Island" at the Mermaid starring Roy Marsden (left) as Long John Silver, and "The Jungle Book" at the Young Vic, both on Tuesday, and "Hansel and Gretel" at the Lyric Hammersmith on Friday.

GLASGOW
Two distinguished Scottish composers have new orchestral works premiered at the Royal Concert Hall this week. Iain Hamilton's (right) "The Transit of Jupiter" receives its first performance on Thursday at the BBC Scottish Symphony Orchestra's 60th anniversary concert. On Saturday, Moray Welsh is soloist with the Royal Scottish National Orchestra in Ronald Stevenson's new Cello Concerto. The RSNO also joins forces with Scottish Opera tomorrow in a celebration of the life of Sir Alexander Gibson, who died earlier this year.

Pride and prejudice

Andrew Clark on the controversy surrounding the young German conductor, Christian Thielemann

No, says Christian Thielemann assertively, he is not a neo-Nazi. No, he has never conducted music at an extreme right-wing gathering. No, he does not believe in bringing politics into the theatre. "I have nothing to hide. I have built my career with some of the great orchestras of the world, and it is only when I return to my native Germany that I find people spreading these smears against me. I have never made a political declaration. Would anyone in my position be so crazy?"

Thielemann – arguably the most gifted German conductor born since the war – is responding to some of the wilder rumours about him which have circulated in the German music world in the past two years, and which, if substantiated, could destroy his career.

In June the influential Berlin newspaper Der Tagesspiegel published allegations that he had made anti-foreigner remarks during a rehearsal with the orchestra of the Deutsche Oper. It said Thielemann had also commented on the influence of Jews in the music world. The report was alarming because it raised the twin spectres of ethnic extremism and political witch-hunting in German musical life.

Thielemann says the allegations were spread by people envious of his success. "Let's be a little arrogant – I'm the only young German conductor who makes a notable career abroad. I would like to enjoy working more in my own country, but this kind of muck-raking makes it difficult. It's a problem of the 1968 generation – they're obsessed with guilt for Germany's past. They cannot distinguish between having a good relationship with German tradition, and being a neo-Nazi."

Thielemann discusses the problem calmly and in fluent English. He is very persuasive – just as he is when he gets on the podium. Unlike most conductors in their mid-30s, he is at home in the German Romantic repertoire, handling the contours of Beethoven, Schumann and Wagner with a maturity you would expect from conductors twice his age. He has the ambition of a Karajan, the tall, loose conducting style of a Furtwängler and the self-confidence of a Maazel.

Born in Berlin in 1959, Thielemann was an assistant to Karajan at the age of 20 and music director in Nuremburg before he was 30. During the past three years he has made triumphant debuts in San Francisco, Chicago and New York, adding to successes in Italy and Japan. This season he tackles the Berlin Philharmonic and the Philharmonia in London. In 1997 he will conduct the British premiere of Hans Pfitzner's *Palestrina* at Covent Garden, where he has already won favourable notices for his *Jenufa* and *Elektra*.

Thielemann's latest conquest is the New York Philharmonic. After two programmes ranging from Schumann to Schoenberg, the New York Times hailed him as "a masterly conductor and an important artist". Both his structural grasp and his detailed control of phrasing and dynamics impressed them.

The Philharmonic's concertmaster, Glenn Dicterow, says Thielemann modified his interpretations at each of the four concerts. "He's very opinionated, he has firm ideas about how it should go, and he enjoys being able to mould the music on the spur of the moment," said Dicterow. "But he was convincing – he took chances, he gave us a lot of credit and we had a good time. We're starved of great conductors, and I think he's on his way. I just hope he doesn't become so overconfident that he feels he has nothing more to learn."

Thielemann's self-confidence has already got him into trouble in Germany. After two seasons at Nuremberg, he was sacked in 1992 for pursuing his international career at the expense of his work with the Nuremberg ensemble. Thielemann successfully sued the city government, but has still not been paid damages.

He has also been rebuffed by some orchestras who found his confidence too close to conceit. Although conducting is by nature an exertion of authority, most European orchestras do not take kindly to strict Prussian control. The idea of a young German asserting his authority unapologetically still makes people uncomfortable. "Thielemann is a powerful conductor," says a member of the Zurich Opera Orchestra, "but he stirs up an attitude problem."

Thielemann has never made a secret of his love for German tradition and history. He is an admirer of Frederick the Great, the 18th-century Prussian warrior-king and patron of the arts. He champions the music of Pfitzner, an anti-modernist approved by the Nazis. He rarely conducts contemporary music. In the highly politicised world of German culture, where the Nazi past still looms heavily over the present, Thielemann's preferences make liberals and left-wing ideologues suspicious.

The whispering campaign against Thielemann puts him in a difficult position, because it relies on emotion and innuendo rather than fact: people will believe what they want to believe. The Tagesspiegel report was almost certainly designed to torpedo Thielemann's appointment as music director of the Deutsche Oper, one of Germany's plum conducting posts. He will take up the post in 1997 if the Berlin Senate gives its approval, due next month.

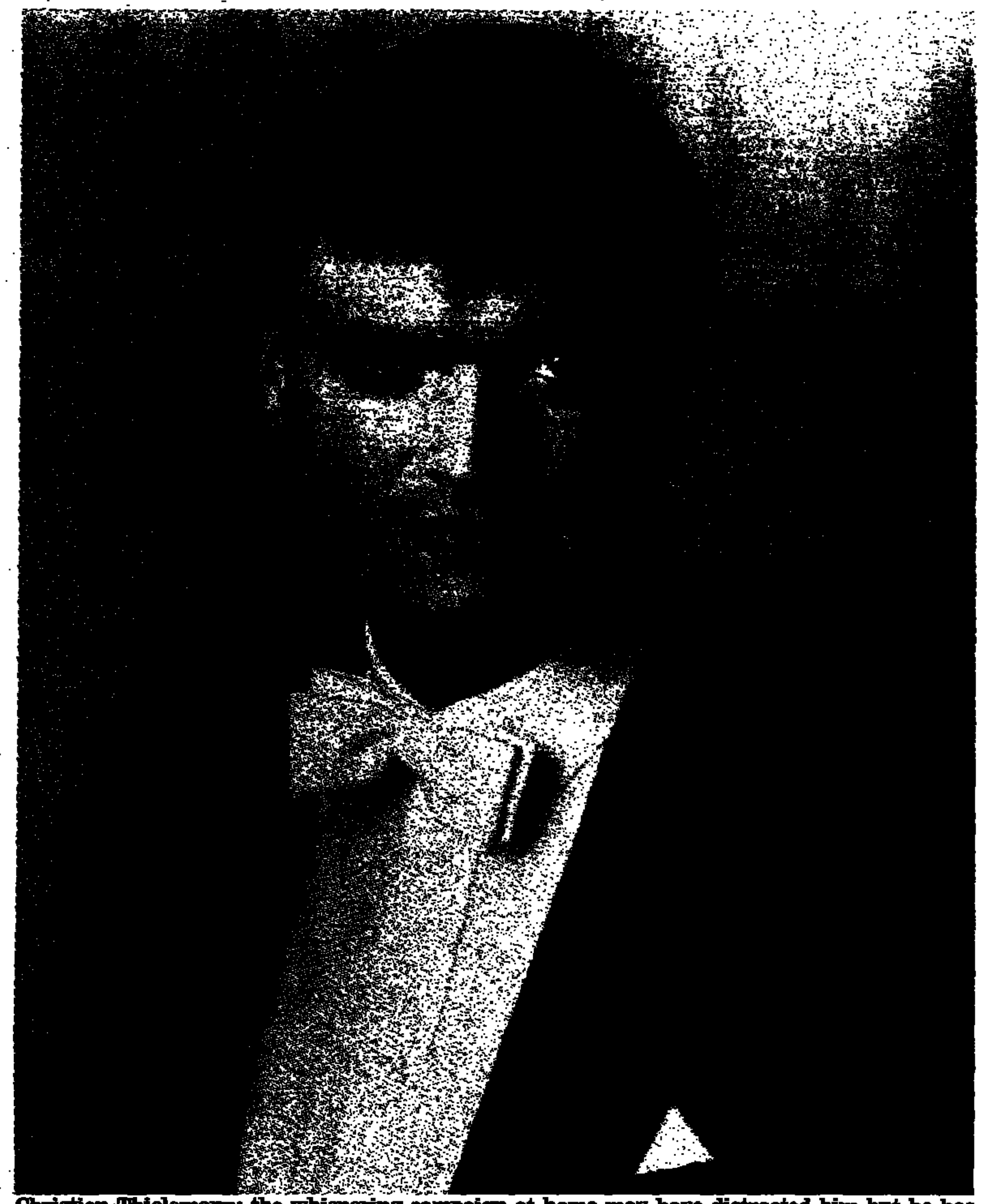
But the allegations were serious enough for the Deutsche Oper's orchestra – which elected him by a large majority – to ask Thielemann to explain himself. After 10 meetings, orchestra representatives expressed satisfaction at his response. Their spokesman, Erhard Augustat, said Thielemann "would have to be a very good actor to hide his views".

Thielemann's views on music are perfectly clear. His first recollection is of hearing Beethoven's Egmont overture on the gramophone at home; as a child, he was taken to Wagner operas at the Deutsche Oper, and he learned most of his repertoire there as a musical coach in his late teens. "I know where I come from: I'm German-born, German-raised, and my roots are in the German repertoire. So it has always been my dream to have success with Beethoven, Schumann, Brahms, Wagner. These are the great interpretative challenges, that is my idea of sound."

If Beethoven is Thielemann's god, Furtwängler is his idol. "Furtwängler knew how to calculate and be spontaneous at the same time. That's my obsession – to have a frame, an architectural idea of the music, but to be able to move within that frame at will. I hate a steady tempo," he said.

Thielemann admits he has followed a different path to most of today's young conductors. He feels uncomfortable with Mahler, and claims he is not mature enough to conduct *Die Zauberflöte*. He distrusts Beethoven's metronome marks and refers to Bach as "a baroque personality, not a skinny, squeaky musician".

Judging by the favourable response of the New York musicians, he is coming to terms with the complex art of orchestra psychology. The whispering campaign at home may have distracted him but he has no intention of letting it stop his advance to the top.



Christian Thielemann: the whispering campaign at home may have distracted him but he has no intention of letting it stop him from getting to the top

It was all strike on the night

Alice Rawsthorn reports from the second MTV Europe music awards in Paris

Everyone learns from their mistakes. The first MTV Europe Music Awards in Berlin last year were almost scuppered when a supermodel flounced out on being told that no, she could not dance on stage with George Michael and a team of builders was drafted in to construct a private shower for Aerosmith.

MTV Europe took no chances with its second awards show at the Zénith sports stadium in Paris ten days ago. It devoted nine months and a £2m budget to planning the show, which would be watched by 250m people worldwide and is the highlight of its programming year. It flew in a 400-strong production crew, hired 200 security guards, and built special showers for each act. The only thing it did not think of was a strike.

The awards were scheduled to be broadcast live on MTV Europe at 8pm, exactly the same time as France's public sector workers were starting a strike in protest against the government's austerity programme. As 8pm approached, trains ground to a halt, Metro stations closed, and the streets around the Zénith became choked with cars.

The artists were fine. Most had arrived for the dress rehearsal the day before and were tucked behind a barrage of burly bodyguards in a temporary VIP tent that MTV erected beside the stadium. Mick Hucknall of Simply Red prowled around the pool table. Jean-Paul Gaultier, the fashion designer who was hosting the show, showed off the nine outfits he would be wearing that night.

There had been a few hitches. P.J. Harvey refused to perform her duet with David Bowie after what Bill Roedy, president of MTV International, called "a creative disagreement". Catherine Deneuve, the French movie icon who was expected as a presenter, was nowhere to be found.

Brian Barvey, lead singer of East 17, had a throat infection. Dave Rowntree, Blur's drummer, needed medical treatment for a kidney problem. Then there was Liam Gallagher, the infamously fist-free lead singer of Oasis, terrifying MTV staff with graphic descriptions of his pugilistic intentions towards Damon Albarn, lead singer of Blur, Oasis's arch-rival.

Despite strikes, traffic gridlock and Liam's threats, the show started on time. MTV's cameras swooped from the mock-gothic stage set to the "mosh pit" of telegenic teenagers, hand-picked from the Paris clubs for their ability to scream louder and look hipper than the thirtysomething record executives in the audience.

Stars were whisked on and off by MTV staff muttering into their walkie-talkies like *Apollo 13* extras. "Copy this Steve, my twenty is ..." U2 walked away with the Best Band award. Björk, the Icelandic diva, won Best Female and Michael Jackson (who did not attend), Best Male. Once off stage the winners braved Simone, a diminutive MTV video jockey. "Time for a quick chat, Björk?" before being cross-questioned about their Balkan touring plans by the assembled music journalists.

"If you've got this big, stupid spotlight on you, you might as well say something," drawled Bono, U2's lead singer, after getting the biggest cheer of the evening by regaling the audience with his (scathing) opinion of the French president, Jacques Chirac's nuclear policy.

The stars milled around the VIP area before being whisked away to an MTV party at the nearby Pony Club. Most of the select band of 4,500 guests thronged around the tattoo booths and tequila bar. Celebrities squeezed into the VIP lounge, except for Liam Gallagher who was barred by security until Blur had left.

Blur fled. Liam finally was allowed in, only to be thrown out when, having failed to find Damon, he planted a punch on Michael Hutchence, lead singer of INXS instead.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Koninklijk Concertgebouworkest: with conductor Gennadi Rozhdestvensky and cellist Yo-Yo Ma perform Dvorák's "Cello Concerto" and Prokofiev's "Symphony No.5"; 8.15pm; Dec 6, 7
● Takács Quartet: perform Haydn's "String Quartet in F, Op.74", Bartók's "String Quartet No.5" and Smetana's "String Quartet No.1 in E minor" and "Aus meinem Leben"; 8.15pm; Dec 7, 9

■ BERLIN

EXHIBITION
Neue Nationalgalerie
Tel: 49-30-72662657
● Paul Thek – Retrospective: travelling exhibition of works by the American artist (1933-1988), known for his pictures of the human body; from Dec 8 to Feb 4
OPERA & OPERETTA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Die Zauberflöte: by Mozart. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists include Reinhard Hagen, Barry McDaniel and Kirsten Blanck; 7.30pm; Dec 7

■ BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2123333
● Messiah: by Handel. Performed by the City of Birmingham Orchestra with conductor Christopher Robinson, the City of Birmingham Choir, soprano Susan Gritton, countertenor Michael Chance, tenor Philip Salmon and bass Paul Robinson; 7pm; Dec 8, 12

■ BOSTON

JAZZ & BLUES
New England Conservatory - Jordan Hall Tel: 1-617-262-1120
● The Thelonious Monk Institute of Jazz Performance at NEC Ensemble: with saxophone player Jackie McLean; 8pm; Dec 7

■ COLOGNE

OPERA & OPERETTA
Opernhaus Tel: 49-221-2218240
● Elektra: by R. Strauss. Conducted by James Conlon and performed by the Oper Köln. Soloists include Hanna Schwartz, Gabriele Schnaut, Horst Hiestermann and Harry Peeters; 7.30pm; Dec 6
THEATRE
Schauspielhaus
Tel: 49-221-2218400
● Play: by Beckett. Directed by Frank-Patrick Steckel and performed by the Schauspiel Köln (in German); 8pm; Dec 6

■ GOTHENBURG

CONCERT
Göteborgs Konserthus
Tel: 46-31-7787800
● The Spectre's Bride: by Dvorák. Performed by the Göteborgs Symfoniker with conductor Jiri Belohlavek, soprano Natalie Melnikova, tenor Stefan Margita and baritone Ivan Kusnjer; 7.30pm; Dec 7, 9 (3pm)
DANCE
Göteborgs Operan
Tel: 46-31-108000
● The Cradle Will Rock: a choreography by Robert North to music by Benstead, performed by the Gothenburg Opera Ballet; 7.30pm; Dec 5, 6, 12, 13

■ LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Orquestra Gulbenkian: with conductor Leonid Grin and cellist Truls Mork perform Lyadov's "The Enchanted Lake", Prokofiev's "Sinfonia Concertante" and Glazunov's "Symphony No.2"; 9.30pm; Dec 7, 8 (6.30pm)
● Truls Mork and Artur Pizarro: the cellist and pianist perform works by Fauré, Franck, Debussy and Chausson; 6.30pm; Dec 5

■ LONDON

AUCTION
Sotheby's, Parke Bernet & Co.
Tel: 44-171-4938080
● A Private English Collection of Chinese Thumb Rings, Jade Carvings and Snuff Bottles: the first ever sale devoted to Qing 18th-century jade thumb rings. Thumb rings were worn by archers in the Shang Dynasty (1,200 BC) and revived as courtier's jewellery during the Qing. The rings in this collection are carved with delicate motifs, often plays on words and pictures which spell out a proverb or good luck phrase; 10.30am; Dec 6
CONCERT
St. John's, Smith Square
Tel: 44-171-2221061
● Claire Allen and Simon Preston: the trumpeter and organist perform Jeremiah Clarke's "Suite in D", Hovhaness' "Prayer of St Gregory", Sampson's "Litany of Breath", Naji Hakim's "Sonata for Trumpet and Organ" and J.S. Bach's "Works for Solo Organ"; 1pm; Dec 7
Wigmore Hall Tel: 44-171-9352141
● Boris Berezovsky: the pianist performs Hindemith's "Suite 1922", Stravinsky's "Ragtime" and three movements from Stravinsky's "Petrushka"; 6pm; Dec 6
THEATRE
Olivier Theatre Tel: 44-171-6330880
● Mother Courage: by Brecht, in a new version by Hare. Directed by Jonathan Kent and performed by the Royal National Theatre. The cast includes Diana Rigg; 7.15pm, Dec 9 also 2pm; from Dec 7 to Dec 12 (not Sun)

■ LYON

DANCE
Halle Tony Garnier Tel: 33-78728621
● Sylvie Guillem: performs choreographies by Béjart and Forsythe; 8.30pm; Dec 5

■ MUNICH

OPERA & OPERETTA
Nationaltheater
Tel: 49-89-21851920
● Anna Bolena: by Donizetti. Conducted by Fabio Luisi and performed by the Bayerische Staatsoper. Soloists include Roberto Scandiuzzi, Mariana Nicolesco and Vesselina Kasarova; 7pm; Dec 6, 10

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Helen Donath and Klaus Donath: the soprano and pianist perform works by Cornelius, Peschko, Schoek, DiChiera and Mahler; 8pm; Dec 7
Avery Fisher Hall
Tel: 1-212-875-5030
● Moscow Radio Symphony Orchestra: with conductor Vladimir Fedoseyev and violinist Vadim Repin perform works by Boccherini/Berio, Shostakovich/Basner and Mendelssohn; 8pm; Dec 6

■ PARIS

CONCERT
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Orchestre de l'Opéra National de Paris: with conductor Christian Thielemann, soprano Sabine Hass, tenor Poul Elming and bass Eric Halvarson perform the first act of Wagner's "Walküre" and excerpts from Wagner's "Götterdämmerung"; 8pm; Dec 7

■ STRASBOURG

CONCERT
Palais de la Musique et des Congrès Tel: 33-88 37 67 67
● Orchestre Baroque de l'Union Européenne: with conductor Roy Goodman perform works by Purcell, Telemann, Handel, J.S. Bach and others; 8.30pm; Dec 6

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Wiener Symphoniker: with conductor Emanuel Krivine and violinist Kyoko Takezawa perform the overture to Berlioz' "La Corsaire", Tchaikovsky's "Violin Concerto" and Saint-Saëns' "Symphony No.3"; 7.30pm; Dec 6, 7

■ ZURICH

DANCE
Opernhaus Zürich
Tel: 41-1-268 6666
● Ballett Zürich; performs the choreographies "Der Feuervogel" by Honeck/Beriozoff/Gontscharova, "Polish Pieces" by Van Manen/Dekker and Bienert's "Bolero"; 8pm; Dec 6
EXHIBITION
Museum für Gestaltung Zürich
Tel: 41-1-446 2211
● Im Angesicht des Todes: exhibition of 100 photographs of prisoners in the S-21 concentration camp during the Pol Pot regime. American photographers Chris Riley and Douglas Niven discovered the portraits; from Dec 6 to Jan 14

WORLD SERVICE

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FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Michael Prowse · America

Liberate the states

Conservative activists want federal control to be relaxed, seeing devolution as a chance to increase personal freedom

The scrapping from this Friday of the 55mph national speed limit is a telling sign that conservative Republicans are having an impact in Washington. For two decades nobody questioned the legitimacy of the national limit Richard Nixon imposed in 1974 as a fuel economy measure. If the federal government wanted to regulate road speeds everywhere, that was its prerogative. What are central governments for, but to issue commands?

That mentality is now being challenged. The conservative activists who swept into office last year on Newt Gingrich's coat tails are determined to achieve a historic shift of political power from Washington to states and localities. They see devolution, rightly, as a way to increase personal choice and freedom.

The national speed limit is a useful metaphor for this broader policy debate. Those who believe the federal government must set a national limit make two unjustified assumptions. The first is that uniformity is appropriate in a nation as large and diverse as the US. Clearly, it is not: a desert state such as Nevada is not at all like Rhode Island on the east coast. The second assumption is that if the federal government does not impose a rule, roads will be unsafe. But this is absurd: state governments are perfectly capable of assessing local conditions; and as democratically elected bodies they have just as much reason to care about people's safety as federal government. Ergo, there is no role here for Washington.

Now consider a more sensitive issue: social policy. Republicans want federal government to give states full responsibility for welfare, Medicaid (the healthcare scheme for the poor), job training and many smaller programmes. They would abolish the federal entitlement to these benefits and instead contribute to the cost of state programmes by providing a fixed amount of cash known as block grants. The burden of federal regulation would be lifted, allowing states to adapt programmes to local circumstances.

Democrats hate this idea. They seem to think that only politicians in Washington can be trusted to look after the poor. Echoing White House arguments, the Organisation for Economic Co-operation and Development last week said the Republican proposals would undermine an already inadequate social safety net. Over time, states would have to cut benefits because they are not allowed to run deficits and their budgets are already under pressure. It predicted a "race to the bottom" as states engaged in competitive cuts in benefits in the hope of evading responsibility for the disadvantaged. Already adverse trends on income inequality would be aggravated.

Put like this the Republican plan sounds ghastly. But are the OECD and others right? Is the federal government really the smallest entity that can be trusted with social policy? If it is, the European Union had better watch out: as it grows more integrated, it will have to transfer responsibility for welfare, healthcare and so forth to Brussels.

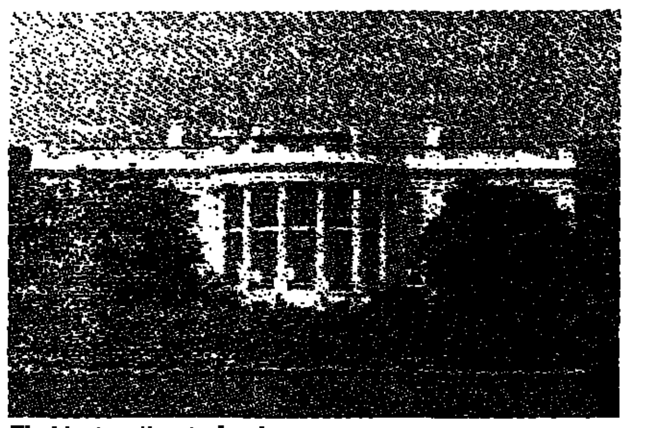
As in the case of speed limits, I think the defenders of powerful central government are jumping to conclusions. Critics always start from the premise that states are financially strapped and could not afford added responsibility for the poor. But wait a minute. They can raise taxes – and indeed have done so on numerous occasions. What of the "race to the bottom" argument? A generous state would surely act as a magnet for the poor of other states. So it would have to cut benefits. Other states would respond by cutting their benefits even further. Eventually the poor would be eating grass.

Again I am not convinced. States have always had an incentive to engage in competitive benefit cuts. Under current rules, they lose some federal funds if they cut their welfare spending. But they still stand to make a net gain. Yet there is little compelling evidence of lowest-common-denominator welfare policies. In a recent study the Cato Institute, a Washington think-tank, found vast variations in welfare benefits. Massachusetts, for example, provides total benefits (including Medicaid, housing assistance, food stamps and other payments) worth $24,176 (£16,120) a year for a mother with two children. A similar family in Mississippi gets only $13,033. Yet is Massachusetts overwhelmed with migrants from the rural south?

Under the Republican reforms states would certainly have to pay some attention to the policies of their neighbours. But it is frankly insulting to state governors and legislators to suggest they would be motivated primarily by a desire to rid themselves of poor people. Indeed it is an insult to the millions of people who vote in state elections. The reality is that welfare policy would continue to be influenced by a broad array of factors, including variations in wage rates and housing costs and different attitudes toward the role of government. States would still care about the overall quality of life they offered citizens. It is ludicrous, for example, to argue that a "social democratic" state such as Minnesota would model itself on Alabama just to save a few dollars.

I am puzzled that so many people respond to proposals for devolving power by looking for snags. If, contrary to my expectations, a "race to the bottom" did pose a serious threat, there is still no reason to revert to federal control. Governors, at one of their periodic meetings, could surely thrash out a collective response to the problem. After all nation states solved the analogous problem of competitive currency devaluations without taking the extreme step of creating a world government or central bank.

Those who object to even a modest decentralisation of power lack any sense of history. Until the 1930s the budgets of states and localities far exceeded that of the tiny federal government. Local communities were largely self-governing. Yet the US rose from colonial origins to become the world's most prosperous nation. It is thus ridiculous to argue that social cohesion or economic growth would be threatened if people were asked to assume more responsibility for themselves and their neighbours. Devolution should be seen as an opportunity, not a threat.



Washington: time to devolve power

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Postal commissioner deserves support for competition proposals

From Mr Anton van der Lande.

Sir, Mr Philip Bowyer's letter (November 30) on the EU's postal liberalisation process fails to mention the most important stakeholders in the entire debate: the European consumer. National postal administrations, some more than others, continue to assume that draft European legislation for the postal sector is nothing more than a business plan for national post offices. This is definitely not the case.

The goal of European legislation in this and other sectors is to create a single market for postal *services*, and not a single market for national monopoly holders. A further, and very important, goal is to improve the often abysmal quality of service (as confirmed by a European Consumers' Organisation study) which consumers receive from post offices for cross-border mail.

Cross-border mail currently represents only some 4 per cent of all mail, and the introduction of competition in this area will benefit the consumer.

It is important to clarify that current EU proposals are a modest step which continue to leave about 80 per cent of all mail within the post office monopoly. Our interest is in fair competition. If a reserved area is deemed necessary for the maintenance of a universal service, fine. Just make sure that both are as large as necessary and as small as possible, and forbid unfair cross-subsidies from the reserved (monopoly) area to the non-reserved (competitive) area.

European consumers will not be guaranteed fairly priced, high-quality services, reserved or not, until all providers of non-reserved services are subject to the same rules for the same game. Controlled liberalisation will benefit both the European consumer and business users if competition is fair.

Incidentally, the Commission was granted exclusive power as the guardian of EU competition policy. This power was granted to it by *elected* national governments under the Treaty of Rome in 1957.

Commissioner Karel van Miert, in the teeth of virulent lobbying by national post offices with vested interests to maintain the status quo, has taken measures to arrive at a more consumer-friendly postal service and deserves the full support of consumers and the business community.

Anton van der Lande,
secretary general,
The European Express Organisation,
Avenue L Gribaumont 1,
B-1150 Brussels, Belgium

Putting value on employees

From Mr Harry Ball-Wilson.

Sir, "The pitfalls in simple currency hedging" (November 29) was most fascinating, and welcome. However, I am very anxious to see information of companies applying employee involvement and thereby avoiding the heavy costs of replacing people who leave voluntarily. These should be shown as part of management costs, rather than those of the other employees. Richard Donkin gave me high hopes with his superb article "Loyalty bonus should not be devalued" (November 9).

Harry Ball-Wilson,
2345 Ala Wai Blvd,
Apt 2714, Honolulu,
Hawaii, US 96815

Budget deficit problem not resolved if 'funny money' path taken

From Mr Gavyn Davies.

Sir, Samuel Brittan (Economic Viewpoint: "Merits of postponed virtue", November 30) is quite right to complain about the City commentators who have described the 1995 budget as excessively profligate. It can hardly be called that.

But I think he may be too kind about the Treasury's fiscal arithmetic, which may not be quite as sound as he implies.

A year ago, the 1994 budget envisaged a sharply declining path for the public sector borrowing requirement, with a return to budget surplus by 1998-99.

This year, largely because of a downward revision to revenue projections, the PSBR in each year is about £8bn-10bn higher than targeted in 1994. But the PSBR still declines sharply from one year to the next, and disappears completely by 1999-2000. So a fair description of the fiscal stance is that it is still planned to tighten, but by less than was intended last year.

Samuel Brittan remains comfortable with the PSBR path shown in the 1995 Budget projections. I am less so, for two reasons. First, virtually the entire decline in revenue since the last Budget (in fact £8.5bn out of £10bn) has been due to a lower tax take in nominal GDP, and not to lower GDP growth.

To the extent that this drop in the tax take persists (and nobody knows whether it will), it will one day have to be replaced by higher taxes elsewhere.

Second, it is very optimistic to assume that the freeze in real public spending shown over the next three years will actually take place. This relies to an unhealthy extent on dubious restrictions on public sector pay, cuts in administrative costs which are unprecedented, and a build-up in the private finance initiative which the Confederation of British Industry considers implausible.

But if these cuts in public spending cannot be attained, then the PSBR could easily stay in the range of 3 to 4 per cent of GDP, which is quite simply too high. To my hopelessly unpolitical mind, it would have been better to wait until the spending cuts had actually been achieved before cutting the tax base yet again.

Samuel Brittan has campaigned tirelessly against "funny money" in public finance, and against the Augustinian principle of "make me chaste but not yet". The public spending path in the 1995 Budget could turn out to be Augustinian funny money - give me cuts, but not yet.

If so, the problem of the British budget deficit will not have been solved.

Gavyn Davies,
chief international economist,
Goldman Sachs International,
Peterborough Court,
133 Fleet Street,
London EC4A 2BB,
UK

More deserving of aid budget

From Mr Ivan Nutbrown.

Sir, Cutting the aid budget has given the UK taxpayer on average enough earnings to buy one extra copy of the Financial Times each month.

However, good though your newspaper is, surely this is not the best use for the money.

Ivan Nutbrown,
World Development Movement,
25 Beehive Place,
London SW9, UK

FT Interview · Klaus Zwickel

A jobs alliance champion

Mr Klaus Zwickel, president of IG Metall, the world's largest trade union, has stirred the placid world of German industrial relations with his recent offer of wage restraint in return for more jobs.

The "alliance for jobs", as he calls it, has come at a time of growing concern that the country is losing its competitive edge. Welcomed by Chancellor Helmut Kohl, it has become the main talking point in Germany's debate about employment and the country's industrial future.

Mr Zwickel has already collected qualified support for his proposal from all sides in German business life. The speed with which it has gained acceptance suggests that Germany's consensus-based system of industrial relations may be more resilient than some critics acknowledge.

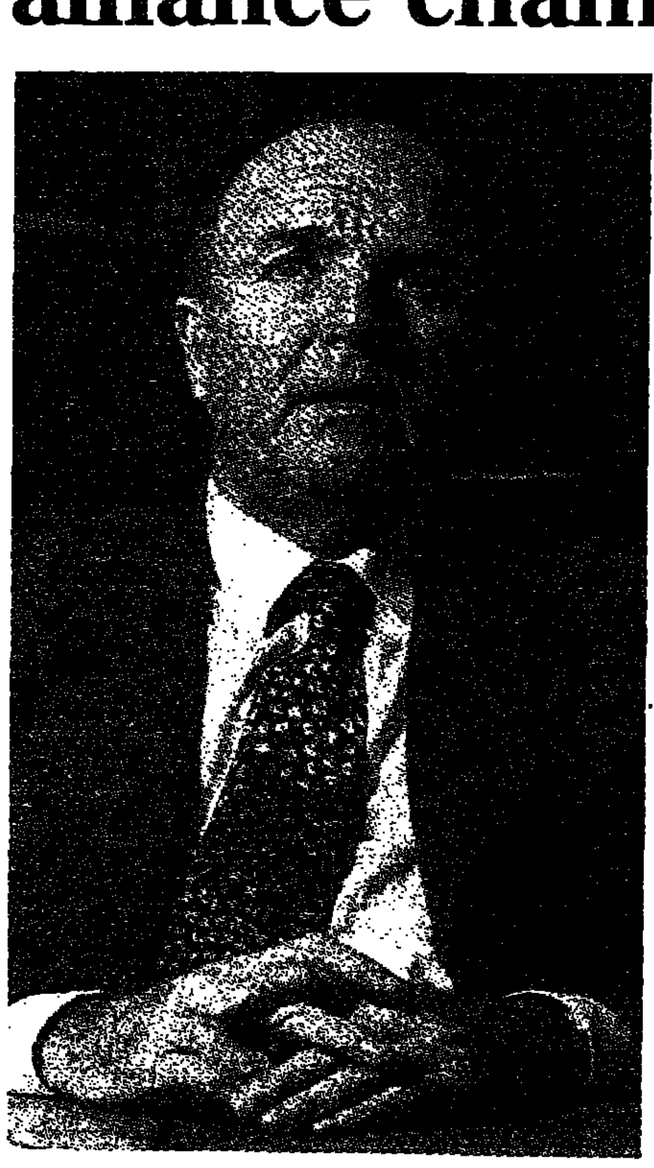
The proposal is certainly something of a change of direction for Mr Zwickel: since becoming president of the union in 1993, he has led his members in two successful strikes against attempts to hold down his members' pay. But now he is proposing that his union would seek wage rises for 1997 of no more than the rate of inflation.

In return, employers would commit themselves to hiring 330,000 new staff between 1996 and 1998, including 30,000 long-term unemployed. For its part, the government would agree not to cut long-term unemployment pay, which it is considering doing.

What makes the offer so noteworthy is Mr Zwickel's readiness to acknowledge for the first time a link between wages and employment – and to accept a trade-off between the two. In an interview at the union's Frankfurt headquarters, Mr Zwickel says the first step would be to reach a "binding political agreement" on the principle. The next step would be to work out the detailed numbers.

One way to create new jobs would be to reduce overtime, he says. "In our industry we work 230m hours of overtime a year. That buys you a lot more than 100,000 jobs.

"We would establish an employment balance sheet, company by company. This would involve our works councils, which would examine the number of employees, the number of trainees, the amount of overtime being worked and how much of that overtime could be reduced by employing new workers."



Ralf Braun

Klaus Zwickel: wants 'binding political agreement' on principle

Holding down wage rises is the main element of his proposal, however. Productivity in the metal, engineering and electrical industries is forecast to rise by between 6.5 per cent and 7 per cent a year until 1999. This would normally be divided between wage increases and profits, but Mr Zwickel's proposal is that some of what he calls this "distribution margin" be used to create jobs.

This could be done either by cutting prices to stimulate demand or by investment in new plant. Either way, wages and profits would rise by less than they would in the absence of such an agreement.

Always an astute strategist, Mr Zwickel hopes that he can use his proposed alliance to reduce some of the cuts that already threaten his members' jobs. These might include the more than 8,000 job losses planned at Daimler-Benz Aerospace (Dasa) by 1998.

"Dasa is a test case for IG Metall," he says. "If we can stop the planned 8,000 dismissals – or at least reduce them – it would be evidence of success for the 'alliance for jobs'."

Mr Zwickel emerged at the top of the 2.9m-strong union in 1993, after his predecessor, Mr Franz Steinkühler, was forced to resign over allegations of insider dealing. As leader of Germany's most influential union, his proposed alliance is likely to be taken up by unions in other sectors. But he wants to limit the pact to the three parties involved – the union, the employers and the government – and also to the areas of jobs, pay and unemployment benefit.

"I deliberately do not want to extend the agreement further because otherwise I see the danger of it being undermined," he says.

German employers have reacted to Mr Zwickel's proposal equivocally. Mr Klaus Murmann, president of the Employers' Federation, called it "superfluous", although he later agreed to meet Mr Zwickel to discuss his idea.

Other employers' representatives have been more enthusiastic. In particular, Gesamtmetall, the metal industry employers' federation, has so far given the idea a cautious welcome.

However, employers are generally opposed to one element of the proposed alliance: that they should deliver the extra jobs in 1996 before agreement is reached on 1997 pay. But Mr Zwickel is determined that his members should see something for them on the table next year.

"Even in 1996 we have a distribution margin of between 3 and 4 per cent that has not yet been used up," he says. "I want the employers to make an advance contribution by hiring 110,000 workers."

Mr Zwickel has already scored a public relations coup with his proposal, which he presents with a great force of conviction. He knows that the government and employers are desperate for any concessions that would help the economy throw off the stagnation which has raised unemployment in Germany to 3.5m.

"There are people who say all this is legally and technically not feasible," he says. "But anything is feasible as long as there is a political will. To fight unemployment effectively, one has to be prepared to shelve outmoded patterns of reasoning.

"It is my impression that the employers and Gesamtmetall are putting more energy into preventing it than on working out how to support it economically and legally.

"We have to say: we want such a pact. And you economists and lawyers must work out how this can be made to work, not how to prevent it from working."

Wolfgang Münchau

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Transatlantic leadership

The leaders of the US and the European Union yesterday signed a document in Madrid, grandiosely titled the "new transatlantic agenda". Part wish-list, and part practical tasks, it includes some 150 proposed joint actions *intended to bind the two* economic superpowers together in the post-cold war world. It provides an agenda for co-operation in fields such as promoting democracy and stability in eastern Europe, reducing trade barriers, and joining forces in the fight against international crime, disease, environmental pollution and refugee flows.

At a time when relations across the Atlantic have frequently been *marked by mutual frustration* and misunderstanding, such an initiative is certainly welcome. However, it was indicative that even as the document was signed by US President Bill Clinton and Mr Felipe González of Spain, for the EU, the two sides were set to disagree on another important issue: who will pay the lion's share of the cost of rebuilding Bosnia.

The truth is that for all the *professions of good will* and close co-operation, the US and EU are still struggling to find common ground and a clear framework for their relations, since their common Soviet enemy was removed. There is no consensus or clarity *over Nato enlargement* to include the states of central and eastern Europe, nor concerning how that process should be related to enlargement of the EU. The unseemly squabble over the appointment of a new Nato secretary-general was just a very public manifestation of that *divide. The belated* appointment of Mr Javier Solana of Spain to the job will not remove the bad blood left by the failure to consult or agree on Mr Ruud Lubbers, the original European candidate.

As far as Bosnia is concerned, it is clear that in *spite of* the US taking the lead on the military operation to implement the Dayton peace agreement, Europe will have to bear the largest share of *the costs. The US Congress is* in no mood to pay more than the minimum for what an increasingly isolationist majority sees as a European problem. Mr Clinton is struggling to win majority support for sending US troops for the peace-keeping force at all.

Realism about the mood in Congress has already prevailed on the question of promoting a new transatlantic free trade area: it is *not on the new agenda, and sensibly so.* Attempts to negotiate away bilaterally remaining trade barriers – in agriculture, say, and textiles – would have produced more discord than harmony.

Congress is isolationist; Europe *is muddled and largely leaderless.* The US is often right to feel frustrated at the difficulties in getting a proper debate or exchange with the EU, even on such common ground as fighting crime and terrorism. The new transatlantic agenda will help *a bit by* providing a practical road map. It will not fill the vacuum in leadership apparent on both sides of the Atlantic divide.

Leeson trial

As Mr Nick Leeson, the former futures trader blamed for the collapse of Barings Bank, begins his *six-and-a-half year sentence* in Singapore's Changi prison, wider lessons can be drawn for the prosecution of financial fraud cases in other countries.

Many features of this trial will not be present in other cases or countries. The need for the Singapore authorities to compile a detailed official report before Mr Leeson was extradited from Germany meant that the case against him was known before he appeared in a Singapore court. Moreover, Singapore has no system of trial by jury. Nonetheless, some conclusions can be drawn.

For a start, it is right that the punishment for actions which are capable of bringing down an entire organisation within a few months should be severe. It is possible that such sentences will also *have some deterrent effect.* However, that should not be overstated: traders might simply be deterred from working in countries with severe penalties for misdemeanour, or from trying to conceal losses, not from unacceptably *risky behaviour. Above all else,* the Barings case has made clear that the threat of criminal conviction is no substitute for internal management controls.

Second, it should be possible to hold financial fraud trials which *are not inhumanely* long, impenetrably complex, and prohibitively expensive. In the case of the Singapore court, the speed it demonstrated was partly due to the absence of a jury, and partly to *the decision of prosecutors to* proceed on only two charges.

It would not be desirable to emulate in other countries the first of those features – the absence of a jury. True, there are frequent suggestions in the UK *that* juries are inappropriate for complex financial cases; nearly a decade ago, the Roskill committee recommended expert tribunals be used instead. But there is a regrettable tendency to underestimate lay people's ability to understand financial evidence. Moreover, the alternative of relying on a few hand-picked people, probably of similar backgrounds, is deeply unattractive.

Instead, courts and prosecutors should look more closely at whether the *slate* of charges can be narrowed to those regarded as *the "best shot", to avoid* swamping the jury with information. Here, the Singapore prosecution's conduct may be worth emulating. But it would be undesirable if the process of paring down charges led to extensive pre-trial negotiations or to plea-bargaining, which may supplant the trial itself.

It should be possible to improve the way in which many such cases are tried. But not in all instances. *Given the complexity of financial* markets, there will always be cases where the only proper treatment is a lengthy presentation of volumes of evidence.

Slippery slope

The lifting of the 22-year-old US ban on oil exports from Alaska's North Slope fields is a long overdue victory for good sense. The ban has distorted the crude market on the US west coast, while doing little to safeguard domestic energy supplies. However, Washington has *severely* impaired the benefits of this step towards freer trade by *coupling* it with another, deeply protectionist, measure.

Legislation signed by President Bill Clinton last week requires all North Slope exports to be carried in vessels registered and owned in the US. The notorious Jones Act *has long imposed such* restrictions on coastal shipping. Their extension to international routes is a sop to US shipping companies, which would otherwise have lost the monopoly on transporting Alaskan oil which the Jones Act has guaranteed them until now.

The direct economic cost of this move is *likely to be small* in relation to overall US seaborne trade. However, it threatens to damage Washington's relations with important trading partners, and its ability to influence positively the direction of trade liberalisation. The protectionist provisions of its legislation violate bilateral treaties with several *other*, mostly European, governments. The measures also breach an agreement on shipping policy principles in the Organisation for Economic Co-operation and Development.

The US says it is entitled to ignore OECD principles, because they are non-binding and unenforceable. Why, then, did it bother to subscribe to them in the first place? Washington's stance prompts doubts about its commitment to negotiating in good faith. Its disregard for the OECD is also inconsistent with strenuous US *efforts to* achieve there a wide-ranging agreement on international investment rules.

Furthermore, the US legislation jeopardises negotiations in the World Trade Organisation on liberalising maritime transport. By *flouting the spirit*, if not the letter, of an undertaking by WTO members to refrain from new trade restrictions in the sector until the talks are completed, the US is encouraging other governments to go back on their word.

The backwash *could spill over* into parallel WTO negotiations on *basic* telecommunications. The US is pressing developing countries hard to open their markets. Their readiness to tackle strong domestic resistance to liberalising this sector is unlikely to be encouraged by US failure to stand up to producer interests *in shipping.*

Washington needs quickly to *offer* in the WTO liberalisation measures in shipping as radical as those it is seeking in telecommunications. That would not only help to repair the damage threatened by last week's *legislation. It* would also restore confidence that when the world's biggest trading power makes international commitments, it sticks to them.

French resistance: (clockwise from top right) a railway worker lights a flare in Lille; overturned cars in Paris after student demonstrations; a student arrested by riot police

A country in crisis

As opposition to Alain Juppé's social security reforms grow, **David Buchan** examines the limited options facing the French prime minister

France's national crisis *could come to a head this* week, as the union strikes against reforms in the welfare system and public sector widen. The dispute is taking on an increasingly political character, jeopardising the survival *of Prime Minister Alain Juppé's* government.

At stake are not only the reforms, but also the chances of France curbing its public deficits in time to become a founder-member of European monetary union, indeed possibly *of there being any monetary* union at all; German ministers have repeatedly said they see no point in pursuing Emu without France.

President Jacques Chirac's future ability to take effective initiatives during the remaining six years and five months of his term in the Elysée also rides on the outcome of the crisis. Despite his outward calm at a weekend summit in Africa, his staff have been on the phone incessantly to Paris to learn the latest events.

After the failure of Friday's talks to break the *deadlock* in the rail strike and the subsequent refusal of rail unions to appear this week before a new government-appointed commission on pension reform, both sides are digging in.

The pro-communist CGT and Force Ouvrière union federations, have each called for indefinite general strike action to start this week, while specific sectoral action has been decided or threatened throughout the public sector: in postal, telecommunications, electricity, gas, *hospitals, even the* Bank of France.

Added to this is the near-certainty of more demonstrations from dissatisfied students and the first stirrings of discontent within state-owned *companies. Part of the CGT* is also trying to repeal past pension measures, as well as block new reforms. In appealing to the private sector to join the protest it has called for the scrapping of the 1993 reform that lengthened the period *of pension contributions for the private sector.*

For his part, Mr Juppé is said to be determined to stand rock-like by the principles of his social security reforms, but ready to open a "dialogue" with the unions on the *reforms' implementation.* But the unions have rejected any dialogue.

So, the crisis may well be decided on the streets. Heartened slightly by Saturday's counter-demonstration in Paris by some 3,000 middle class and small shopkeeper opponents of the strikes, the government yesterday promised to arrange "substitute transport," for the thousands of stranded commuters in the Paris region.

On the face of it, it seems extraordinary that unions who represent around 8 per cent *of the workforce* can thwart a government which has 80 per cent of the seats in a parliament supposed to represent the entire country. Certainly, Mr Juppé will have no parliamentary trouble this week in using his majority of 480 deputies to *dispose of the* censure motion signed by 62 Socialists and their left-wing allies.

According to a CSA poll published on Saturday, 62 per cent of French people support the strikes. This is not surprising, given that *the strikes are concentrated in* public services, which are regarded by many French as well-run and whose employees are held in high esteem.

What does seem strange is that *the Juppé government has so far* failed to capitalise on the structural fragmentation of French union federations. They are divided along political lines (the CGT is pro-communist and the FO anti-communist) and confessional lines (the moderate *CFDT federation is a "lay"* offshoot from the "Christian" CFTC).

But the CGT and FO are now trying to outbid each other in calling for strike action, while Mrs Nicole Notat, the CFDT president, has lost credibility with her rank *and file by* endorsing some aspects of the Juppé plan. Moreover, there is little sign of union disunity other than at the top; the rail sections of the CGT, FO and CFDT federations are solidly together.

Mr Juppé is also reaping the failure of *his own* and past governments' failure to demarcate clearly which public services will be deregulated or privatised, and which will not. The result is that the unions have spread the impression that the whole public sector is *up for auction. The reality* appears more nuanced. The government seems to contemplate privatising Air France, a partial sell-off of France Télécom, unchanged state ownership but a reduced monopoly for Electricité de France, and no *change in the status* of the *SNCF* rail network or La Poste.

Ironically, one ray of clarity has come at the worst possible moment. Mr François Fillon, the telecommunications minister, revealed in Washington last Friday that 20-49 *per cent of France Télécom's capital* would be sold. This may persuade France Télécom workers to protest, with a further knock-on strike effect on La Poste, because the two *institutions still share the unified union* structure they had before they were split in the late 1980s.

Mr Juppé publicly claims "the hour of true reforms in France has struck," and that he will stand firm in pushing them through. But, *despite the protestations of Mr* Juppé's entourage to the contrary, it is hard to see any French government taking on the strikers in the way that the Thatcher government once broke miners' strikes in the UK. This was a simple sectoral problem compared with the breadth of the political challenge posed to the authority of Mr Juppé, and behind him of President Chirac.

The president could meet this political challenge with a political response. He, as some Gaullist MPs suggest, could put the Juppé reforms to a referendum or make them the chief issue of new parliamentary elections. But these would be very high-risk gambits.

If the referendum produced a "no" – and the CSA poll indicates it might – *Mr Chirac* would at the very least find his wings clipped for the rest of his long term. Like a referendum, new elections would give the country time for more debate, but in the present climate of opinion Mr Chirac's ruling conservatives *would almost certainly lose* seats to the Socialists or the far-right National Front, or both.

The normal Fifth Republic procedure is that a president takes a back seat to his prime minister on domestic business. But these are *not normal times. It is hard to* escape the conclusion that negotiation is the only way forward, with President Chirac to the fore.

Railway strikers fearful of the future

There are many beautiful places in France, but St Pierre des Corps is not one of them. Rows of impersonal post-war *houses are arranged in grid-iron* patterns so that the town bears a closer resemblance to a factory town in eastern Europe than it does to the historic city of nearby Tours.

A rare exception is the impressive modern railway station. But *there was no activity this weekend,* just a handwritten note stuck to a window offering car-sharing for travellers stranded by the strike which has brought trains across the country to a halt for the past week.

St Pierre developed into an important centre for cross-country freight, passenger traffic and locomotive repairs in the last century. This weekend it was celebrating its *75th year under the control of the* French Communist Party.

But the mood was more grim than jubilant among a dozen railway repairmen at the entrance to *the marshalling yards on Saturday,* frying merguez sausages and huddling in tents against the wind. "This is a stronger strike than the last one in 1986," said Alain, who repairs diesel locomotives. "Then it was salaries and restructuring. This time it's the future of the enterprise for us and for our children."

Although the government announced its intention last month *to restructure SNCF and reduce its* debts, most of the strikers in St Pierre said their immediate concern was broader plans to raise the number of years of payments required by all public sector workers for full pension entitlements *from 37.5 years to 40 years.*

"It's not a solution," said Jean-Yves. "We want everyone to be able to retire after 37.5 years. It's one of the only things that will help create new jobs. I don't see why in a single sweep we should be obliged *to throw away all that our parents* and grandparents fought for. We have a duty to ensure our rights are maintained."

He also expressed concern about the plans for SNCF, arguing that the French government required *the railway company to invest* heavily over the last few years and so it should take responsibility for repayments. "They always find the money when they need to – for nuclear testing, for example. There is a real debate no one is holding: *whether public services should* have to be profitable."

Train drivers have the right to retire at 50, against 55 for other railway workers. But Frank, a 48-year-old driver, said: "We don't have the feeling that we are privileged." He complained about the many nights he works and is away from his family. "I don't know a driver who wants to carry on working after 50. We are all fed up."

Mr Raymond Martinet, assistant head of operations for the region, *who is one of three top managers in* the district to earn a basic salary of about FFr22,000 (£2,890) a month, said about three-quarters of his 500 staff receive less than FFr8,000 a month at retirement age before overtime payments.

"We have job security and a good salary, but it stops there," he said. "We earn less than in the private sector. Railway workers have to change. We are not living in the 19th century any more. But the government needs to change too. *We just hope there is a resolution* soon."

Andrew Jack

· OBSERVER ·

Bronco bucks a trend

■ Elco, Nevada, is best known for its cowboys. The town hosts an annual (if somewhat incongruous) "Cowboy Poetry Gathering," and a former mayor has written an amusing little book called "Ranch and Range – Stories and Recollections".

Some of the cowboys have turned out to be pretty shrewd business people; none more so than Sean Halavais and his wife Lee. The couple prospected for gold in Alaska 20 years ago, and went on to stake several mining claims around Elco in the mid-60s.

Elco lies on the Carlin Trend, *one of North America's richest* gold belts. Barrick Gold, controlled by Canadian entrepreneur Peter Munk, has developed the nearby Goldstrike property into the continent's biggest gold mine.

On Friday, the Halavais' also *struck it rich.* Barrick bought their company, High Desert Mineral Resources, which owns 40 per cent of a promising deposit a few miles down the road from Goldstrike.

The Halavais' portion of this good fortune is positively golden. They are to get Barrick shares worth $76m, plus royalties from *Goldstrike and the High Desert* mine.

Sean Halavais, who is often seen around town sporting his cowboy gear, describes himself as "very lucky". Which certainly wins *Observer's litotes of the year* award.

Gushing augury

■ The carve up of the oil riches of the Caspian Sea continues. Last Thursday President Heydar Aliyev of Azerbaijan, a former KGB boss, and Vagit Alekperov, the powerful Azeri-born head of Lukoil, Russia's *biggest oil company, took* advantage of a lavish dinner at London's Landmark Hotel to tackle the latest geopolitical twists in the international oil industry's most closely followed soap opera. Mutual compliments were followed by the *traditional toast. Trouble was,* somebody forgot to fill the glasses. *Let's hope it wasn't an omen.*

Pest control

■ Relations between the two partners in Hungary's ruling *coalition are often tense. That's* perhaps understandable, given the Socialists are largely ex-communists while the Free Democrats are generally former dissidents.

But on Budapest's city council their relationship has now hit rock-bottom. The *casus belli* is the *privatisation of Fogaz, the capital's* sole – and Hungary's largest – gas distribution company. The Free Democrats, led by mayor Gabor Demszky, are furious that the Socialists have backed the sale of a *minority stake in Fogaz. Demszky's* outfit claims that has cost the hard-up city $69m – calculated as the difference between Italgas's $198m bid for a 50 per cent (plus one vote) stake, against Ruhrgas and VEW of Germany's winning joint bid of $129m for 39 per cent.

As Hungary's privatisation rules prevent anyone buying both Fogaz *and* Tigaz, the Socialists say that selling a minority stake in Fogaz *enabled* APV, *the state* privatisation agency, instead to sell a majority share of Tigaz, another gas company, to the Italians for $172m. So both the nation and the capital end up winners, right?

That's not how the Free *Democrats see it.* They say Budapest's Socialist councillors were encouraged by their party bosses to betray the city's interests. APV just happens to be presided over by leading Socialist MP, Tamas Suchman. And Suchman and APV have their attention fixed on pushing through *as many sales as possible, so the national* budget achieves this year's target of Ft150bn ($1.12bn) in privatisation revenues. If that means Budapest loses out on $69m – tough.

A very cool head

■ Not everyone is feeling gloomy about the return of Hong Kong to China in 1997. Take Song Tijin, for instance. According to Beijing's *Workers Daily* he's president of a *company in Xuzhou in the eastern* province of Jiangsu, and did very nicely in 1993, when he sold his registered rights to make a beer with the brand name 1997 to a brewery for the equivalent of $602,000.

On December 19 – the eleventh anniversary of the signing of a Sino-British joint declaration on the return of the colony – he's auctioning his rights to the 1997 *brand for other liquor products.* Bidding is opening at the equivalent of $445,000, but is expected to reach much higher.

Now, what am I bid for a plumed cocked-hat; one careful owner, forced sale, having to return *home*...

Strike a light

■ Looks like no-one can resist taking to the streets in France when it comes to calling for change. After a week of industrial *action – which has brought the* railways, public transport, the post office and other services to a standstill – the French public faces a new threat. Several thousand shoppers, commuters and others made their way through central Paris on Saturday afternoon shouting and waving placards, *accompanied by heavy-duty* policemen. The purpose of their demonstration? To call an end to the strikes threatening the country...

The Financial Times

100 years ago

The margarine bill

Berlin, 3rd Dec. The Reichstag was opened at noon to-day in the White Room of the Royal Castle. In the absence of the Emperor in Silesia, the speech from the Throne was read by Prince Hohenlohe. In the course of the utterance, he said – "A bill has been drafted in order to meet a resolution adopted by the *Reichstag for repressing unfair* competition. On similar lines, a bill has been framed, the object of which is to extend in the interests of dairy products the legal provisions relating to the trade in substitutes for butter." *The passage relating to the* margarine bill was warmly cheered.

50 years ago

Italy facing crisis

According to all reports coming from Italy, the financial and economic situation there is in a *chaotic state. All observers* contend that, unless something is done quickly, there will be disaster. For months now the position has been drifting dangerously, with prices rocketing and the black market value of the lira depreciating in terms of both other countries *and of gold. Rumour has* it that the lira is to be further devalued as from the beginning of January and that the new rate is likely to be 800 to the £.

FINANCIAL TIMES
Monday December 4 1995

US Marine chiefs trade places to experience tranche warfare

Officers are preparing to do virtual battle in the Nymex oil pits, reports Laurie Morse

A dozen US Marine Corps generals and colonels will today march resolutely on to the New York Mercantile Exchange trading floor and start matching wits with commodity futures traders.

The traders often describe their fraught existence in the trading rings as virtual warfare, and the US military appears to agree.

Keen to find ways of training officers to cope with the demands of high-tech 21st-century warfare, a group of Marine Corps top brass will venture into the Nymex crude oil pit in the World Trade Center after the regular market has closed.

Assisted by a group of hand-picked veteran commodity traders, the marines will plunge into a simulated session of futures trading that will include several market reversals and a barrage of oil-linked "news".

Mr Gary Lapayover, the Nymex trader co-ordinating the event, says the trading session will allow the officers and traders to become acquainted on friendly turf, and give the Marines a glimpse of the multiple tasks – and the speed – that breakneck trading entails.

Today's simulated trading will be followed tomorrow by a war games session. About 15 traders will follow the generals to an old officers' club on Governor's Island, off Manhattan, and test their skills in a computerised game designed by Gama Corp, a Virginia-based company that specialises in computer-generated battle scenarios.

Later, the traders will tell the officers and their aides what they think of the battle experience.

What do the Marines hope to learn from the commodities pits? "Our vision of what warfare will be in the 21st century is very different from what we've faced in the 20th," says Col Tom Harkins, director of operations at the Marines' war-fighting laboratory in Quantico, Virginia.

In future, the Marines expect to be drawn into smaller conflicts of the type seen in Somalia and Bosnia. At the same time, warfare will become increasingly digitalised, calling for rapid decision-taking amid a barrage of information.

"How does a commander make decisions on a digital battlefield?" asks Col Harkins. "Technology will increase the tempo of battle, and the influx of digital information will require skills in what you might call pattern analysis. This is what futures traders do. In this exercise we want to see how people who face these conditions every day deal with the stress, and get comfortable with the risks."

During tomorrow's war games, traders will be confronted by an on-screen battle area laid out on a grid, with as many as 50 small teams of cyber-soldiers seeking the "enemy".

Once "contact" is made, the teams will request firepower. Under pressure, "commanders" must decide how to deploy resources to the best strategic advantage, while limiting losses.

For Mr Eric Bolling, an independent trader who has survived nine years in the Nymex energy pits, the Marines are being shrewd in seeking to cross laser-swords with battle-hardened heroes of the trading pits.

Mr Bolling, a 33-year-old former minor league baseball player, has no military background, but sees a lot of parallels between trading, sport and the armed services. All three require high levels of self-motivation and decision-making ability.

Some of the generals and colonels may be shown to be more suited to high-stress, high-stakes environments than others, he says. "You have to be able to prioritise and analyse a lot of information rapidly; then initiate risk by making a decision; and, finally, manage that risk by having the discipline to manage the trade," says Mr Bolling.

"A lot of people can't do that, and wash out of these markets. I don't think it's something that can be learned really – it's a personality type."

Mr Lapayover said he selected floor veterans like Mr Bolling to participate because he was looking for "survivors" – people who have been successful traders over a number of years. "Military experience wasn't a factor. The Marines are looking for people that can help them understand the process."

Mr Lapayover has also suggested that the top brass visit the "war rooms" of America's largest investment banks to observe Wall Street's fixed income and equities traders, and the strategies of high-stakes corporate raiders.

The war games are part of a new programme directed by Gen Charles Krulak, commandant of the Marine Corps.

"War games are not designed to give you a total solution, they are designed to give you insight" he says. "We're going to have our laboratory analysts with us, and they will be looking at improving the process."

S Koreans arrest second military-backed ex-president

By John Burton in Seoul

Mr Chun Doo-hwan yesterday became the second former president of South Korea to be arrested in a fortnight as the civilian government sought to break ties with the previous military-backed leadership in an attempt to regain popularity.

Mr Chun, who ruled Korea for eight years after leading a military coup in 1980, was arrested on charges of staging an army mutiny in 1979 that paved the way for his takeover of power.

The pre-dawn arrest came a day after Mr Chun defied a summons by prosecutors to be questioned about his role in the military coup and the subsequent massacre of at least 200 prodemocracy protesters in the city of Kwangju.

More than 1,000 riot police surrounded Mr Chun's residence in Hapchon after he fled there Saturday from his home in Seoul. Mr Roh Tae-woo, a military colleague who succeeded Mr Chun as president, was arrested last month on corruption charges and will also be investigated for his involvement in the coup and Kwangju massacre.

Prosecutors are today expected to indict Mr Roh and more than 20 business leaders for corruption. Mr Roh is being accused of accepting more than $300m in bribes from the country's leading conglomerates in return for government contracts and other state favours.

Mr Chun's arrest came a few hours before the country's biggest opposition party held a mass rally in Seoul to demand that President Kim Young-sam reveal whether he took money from his military predecessors for his 1992 election campaign.

In a sudden reversal, President Kim recently ordered an investigation of the events surrounding the military takeover 15 years ago. Mr Kim, a former dissident who opposed the military dictatorship, merged his opposition group with the ruling party in 1990 and provided it with a parliamentary majority in return for being promised the 1992 presidential nomination.

Some political analysts believe the disintegration of the ruling Democratic Liberal party is now inevitable, with conservative MPs either defecting or being purged by President Kim.

The corruption scandal also threatens the future of the main opposition leaders. They are accused of accepting money from Mr Roh, who offered it in the hope of buying protection from political vendettas.

Ghosts of Kwangju return to haunt Chun, Page 4

Ex-Barings executives may face prosecution

Continued from Page 1

breakdown of controls within Barings. However, this new appearance will give MPs a chance to determine how the bank's internal trading and management controls could have been allowed to break down to the extent they did.

Commons select committees have statutory powers to call individuals to appear before them and individuals must appearif asked to do so.

The Treasury committee has decided to call the witnesses as part of its preparations for a report on the Barings collapse which is due to published next year.

Clinton in Bosnia plea

Continued from Page 1

expressed on Saturday by General Ratko Mladic, the Bosnian Serb military commander.

Noting that Moslems and Croats were also "not happy" with all aspects of the agreement, Mr Clinton said "we fully expect" President Slobodan Milosevic of Serbia to take steps to ensure that the treaty "is honoured as written". Mr Milosevic represented the Bosnian Serbs in the negotiations.

Mr Clinton defined Bosnia as a test case of the importance of "American leadership and of the American partnership with Europe".

He also warned Congress to make no explicit connections between the domestic budget and support for Bosnian peace enforcement.

The next deadline for a budget agreement is on December 15, a day after Mr Clinton is due to co-sign the Bosnian agreement in Paris, and he said that he would accept "no radical detour" from his economic and social policies in order to buy Congressional support for an active US role in Bosnia.

Mr Clinton's penultimate stop on Saturday had been to address the Bosnian-bound troops of the Eagle Task Force of the US 1st Armoured Division at its headquarters in Baumholder, Germany.

FT WEATHER GUIDE

British Isles

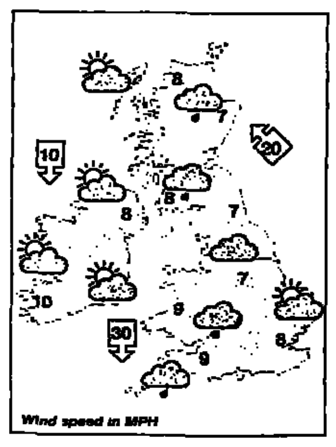
A front moving westward will linger over Scotland and western England bringing overcast skies and light rain or drizzle. Eastern England will be dry and mostly cloudy. Ireland will also stay dry with sunny spells. Afternoon temperatures will range from 7C in Scotland to 10C in western Ireland and near Lands End.

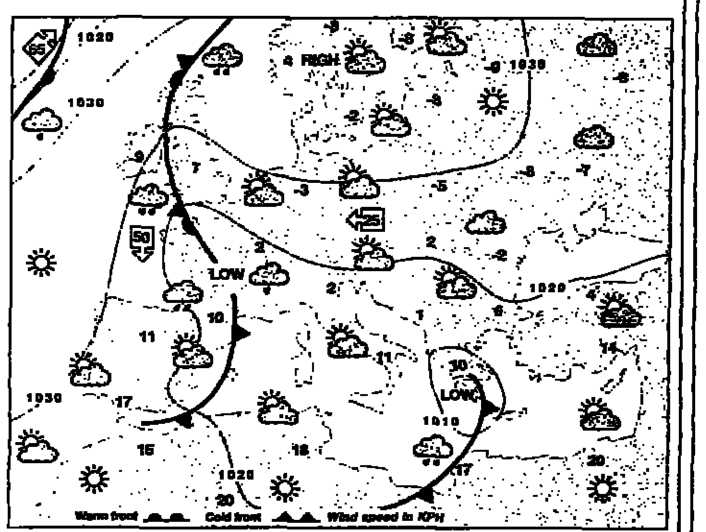
Continent

High pressure over central Scandinavia will affect large sections of Europe. Scandinavia will be calm with sunny spells and afternoon temperatures below freezing. Eastern Russia, Poland and Germany will be dry with scattered cloud. Meanwhile, a small depression will develop over France bringing cloud and some rain to western France and northern Spain. In eastern France and in the Benelux, cloud will be interspersed with sunny spells and it will be dry.

Five-day forecast

High pressure will remain over northern Europe. The continued push of colder air into the north-western region will bring snow showers later this week over Denmark, the northern Benelux and the UK. Several small depressions will develop around the Mediterranean causing unsettled conditions and plenty of rain.





Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum C	F
Abu Dhabi	sun	29	84
Accra	fair	32	90
Algiers	shower	18	65
Amsterdam	cloudy	0	32
Athens	shower	16	61
Atlanta	sun	17	63
B. Aires	fair	29	84
B.ham	rain	7	45
Bangkok	fair	32	90
Barcelona	rain	15	59
Beijing	sun	4	39
Belfast	cloudy	8	47
Belgrade	rain	2	36
Berlin	fair	-2	29
Bermuda	shower	22	72
Bogota	fair	20	68
Bombay	fair	32	90
Brussels	fair	3	38
Budapest	shower	1	34
C.hagen	fair	1	34
Cairo	sun	20	68

		C	F
Cape Town	sun	25	77
Caracas	fair	30	86
Cardiff	rain	9	48
Casablanca	sun	17	63
Chicago	fair	4	39
Cologne	fair	-1	30
Dakar	fair	28	83
Dallas	fair	21	70
Delhi	fair	23	74
Dubai	sun	28	83
Dublin	rain	9	48
Dubrovnik	cloudy	11	52
Edinburgh	rain	8	47
Faro	fair	19	66
Frankfurt	fair	-1	30
Geneva	fair	3	38
Gibraltar	sun	17	63
Glasgow	shower	8	47
Hamburg	fair	-1	30
Helsinki	sun	-8	18
Hong Kong	fair	22	72
Honolulu	fair	29	84
Istanbul	shower	9	48

		C	F
Jakarta	shower	30	86
Jersey	rain	11	52
Karachi	fair	28	83
Kuwait	shower	20	68
L. Angeles	sun	19	66
Las Palmas	sun	22	72
Lima	fair	23	74
Lisbon	fair	17	63
London	rain	8	47
Lux.bourg	fair	0	32
Lyon	shower	3	38
Madeira	sun	19	66
Madrid	shower	10	50
Majorca	cloudy	17	63
Malta	shower	16	61
Manchester	rain	8	47
Manila	fair	30	86
Melbourne	shower	16	61
Mexico City	sun	23	74
Miami	fair	27	81
Milan	rain	4	39
Montreal	snow	-3	27
Moscow	snow	-8	18

		C	F
Munich	cloudy	0	32
Nairobi	fair	24	75
Naples	cloudy	11	52
Nassau	fair	28	83
New York	sun	9	48
Nice	shower	13	56
Nicosia	sun	16	61
Oslo	fair	-2	29
Paris	cloudy	5	41
Perth	sun	21	70
Prague	fair	-2	29
Rangoon	fair	32	90
Reykjavik	shower	9	48
Rio	fair	30	86
Rome	cloudy	11	52
S. Frsco	fair	16	61
Seoul	fair	3	38
Singapore	rain	31	88
Stockholm	sun	-3	27
Strasbourg	fair	2	36
Sydney	fair	26	79
Tangier	sun	17	63
Tel Aviv	sun	19	66
Tokyo	fair	13	56
Toronto	fair	1	34
Vancouver	shower	5	41
Venice	cloudy	8	47
Vienna	shower	1	34
Warsaw	fair	-6	21
Washington	sun	11	52
Wellington	fair	20	68
Winnipeg	cloudy	-7	20
Zurich	cloudy	1	34

THE LEX COLUMN

French Revolution

There is a revolution in France and, unusually, the government itself is the agent of change. The budget deficit reduction plan will, if implemented, curtail the privileges of many public sector employees. The wave of strikes and protests which has swept through France is largely a rearguard action defending inequitable privileges.

Railway workers, for example, can retire at 50, their pensions funded by private sector employees who pay into the existing state system, knowing that the coffers will be bare by the time they need to claim their own pensions. The results are heavy taxes, high unemployment, sluggish growth and loss of competitiveness. This – rather than the need to meet the economic criteria set out in the Maastricht treaty – is the real reason that France has to tackle its budget deficit.

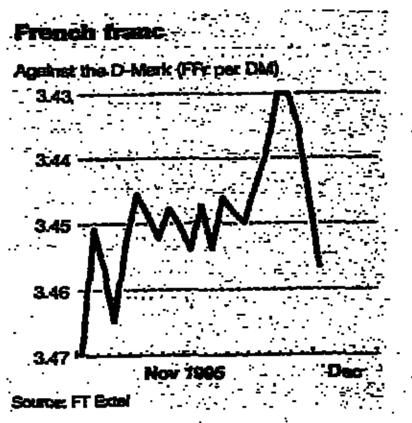
Having taken too long to get its nerve up, the government so far appears to be holding it. Still, the plan's new 0.5 per cent tax, in a country which already has one of the highest tax burdens in Europe, is bitter medicine. It could perhaps be made more palatable if the government spelt out when, and how much, contributions will eventually come down. More urgently, the government has to cut France's artificially high interest rates rapidly, making it cheaper to refinance the deficit and encouraging economic growth. Otherwise, the economy will not meet the official government growth forecast of 2.8 per cent next year, and sums will have to be redone.

The current state pension system cannot be scrapped overnight but the introduction of pension funds, investing mainly in equities, would have a wide-reaching effect. The stock market would be the most obvious beneficiary. The lack of a large and relatively stable investor base leaves the market vulnerable to the vagaries of foreigners. Currently, they hold a third of the market, but their influence is even greater than that, since many stocks are tied up in long-term industrial holdings. For much of 1995, for example, UK and US funds – the main foreign buyers – were busy investing in their own bull markets, and the French market languished.

Pension funds would also facilitate the untangling of the web of cross-shareholdings by financial and industrial companies. Since poor stock market performance has depressed the returns of such companies, some would like to sell these stakes – although others are less willing, because they would then have to realise losses. In any case, there are few large buyers.

French franc

Against the D-Mark (FFr per DM)



Source: FT Extel

Corporate governance would also be taken more seriously. Compliance with the recent Viénot report is not enforced; only the existence of a body of investors with an unclouded agenda is likely to impose the concept of shareholder value. Banks which continue to hold stakes in companies should take the same role as other minority shareholders, putting pressure on, rather than sitting on, boards.

Even if pension fund legislation is introduced next year, a fully-fledged industry will take some years to develop. But the current upheaval is a price worth paying for a strong domestic financial system, allowing companies freer access to capital and freeing them from current ties. The latest French revolution is, after all, a capitalist one.

Forte/Granada

If Sir Rocco Forte is to avoid losing his family legacy just three years after taking control of the Forte hotel group, he will have to make uncomfortable decisions. Sir Rocco has substantially improved the business since he took the helm. Costs have come out of head office, and Post House is now arguably the UK's most efficient hotel business, based on trading margins. But he has been understandably slow to shake up the board and the hotel portfolio he inherited from his father.

He would improve his cause by splitting the roles of chairman and chief executive – for example, promoting deputy chairman Sir Anthony Tennant. This would show that the board was committed to shareholder value rather than family interests. More importantly, Forte must commit itself to selling trophy hotel assets to fund its development as an international hotel group. With £1.4bn ($2.2bn) of net debt, and a reliance on UK hotel earnings, Forte will struggle to compete for international contracts to build up its Meridien brand. Besides, the returns achievable on trophy properties are poor compared to the prices that trophy hunters will pay.

Such a strategy may still not be enough to secure Forte's independence. Granada needs a deal to justify its growth rating, after being blocked from expanding further in both television and contract catering. But the least Sir Rocco owes long-suffering shareholders is a strong enough case to force a large increase in Granada's final offer.

British Gas

British Gas has delivered a serious blow for optimists who believe that its overpriced gas contracts are only a short-term problem. The company itself now thinks surplus gas piped to mainland Europe through the new "interconnector" will have to be sold at a loss. Of course, the interconnector will still help by getting rid of some of the surplus. But it will not do so quickly: by the time the interconnector opens – probably in 1998 – BG is likely to have built up a surplus more than twice as big as its share of the interconnector's annual capacity.

This means that even if the gas contract price recovers in the long run, it is unlikely to do so in time to help BG before it loses its domestic monopoly in 1998. Even if demand for gas grows – for instance, if the weather is bad – the price is likely to remain weak, because BG will still have a large surplus to sell. And from 1998, if it is still paying a third more than its competitors for its gas, BG will face a nasty dilemma: either it fights to keep market share, selling at a big loss, or it keeps prices high – in which case, its market share will fall and the surplus will get worse.

Whether the news should depress the share price further, though, is another matter. The shares have dropped more than 20 per cent in the past six months: this is already consistent with no long-term increase in the gas contract price, either in the UK or the Continent. The news simply confirms the market's gloomy prognosis. But until the company produces a clear strategy for persuading producers to renegotiate, the shares will continue to languish.

هكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS

Monday December 4 1995

MARKETS THIS WEEK

PETER MARTIN:
GLOBAL INVESTOR
How much of a possible slowdown in the world economy is reflected in the price of shares? Or, more precisely, how much of the potential pressure on corporate earnings from slower growth is captured in current stock market valuations? In the US and Japan, the answer is simple; in Europe, less so. **Page 23**

STEPHANIE FLANDERS:
ECONOMIC EYE
The Ogonis of Nigeria are not the first to wonder whether the discovery of oil in their lands was a curse in disguise. Glancing around the globe, it seems for every resource-poor country that has grown rich, there is a resource-rich country that has grown poorer. **Page 23**

BONDS:
Last week's launch of the largest Japanese bond with warrants in two years has turned the spotlight back to the Japanese equity warrant market, spurring hopes that it may be emerging from the doldrums of recent years. **Page 26**

EQUITIES:
The sale of shares in Pechiney , the French aluminium and packaging group, is a test of the French government's ability to press ahead with its privatisation programme in the face of unfavourable market conditions. **Page 25**

EMERGING MARKETS:
When investors on the Prague stock exchange look back, they may conclude November was the month when the market came of age. **Page 24**

CURRENCIES:
Figures, rather than events, will be the focus of market attention this week as traders and investors seek further confirmation that a global growth slowdown is under way. **Page 24**

COMMODITIES:
"Backwardation" is the commodities markets' current buzz-word. It means the reversal of the normal situation, where forward prices carry premiums to spot prices to reflect the cost of storage, insurance, lost interest and so on. **Page 23**

INTERNATIONAL COMPANIES:
Banco Central Hispanoamericano, the Spanish banking group, has announced measures to complete a financial restructuring which will involve drawing on reserves to make special provisions and paying a sharply reduced dividend. **Page 22**

UK COMPANIES:
Directors of Cable and Wireless, the UK telecommunications group, are seeking legal advice on a letter which is at the heart of negotiations over a pay-off to Lord Young of Graffham, the group's former executive chairman. **Page 20**

STATISTICS

British Gas admits exports will be at a loss

By Robert Corzine

British Gas will export gas at a loss to European customers once the planned pipeline linking the British and continental natural gas grids is built.

The company has highlighted exports to Europe as a way to minimise the impact of a growing gas surplus in the UK. But senior executives now acknowledge that the proposed inter-connector between Bacton, on the Norfolk coast, and Zeebrugge, in Belgium, "is not a panacea" for the company's problems.

The admission comes as British Gas prepares to review capital spending and international operations. It is under pressure from growing competition in the domestic market, and under its "take or pay" contracts with North Sea producers, it has to pay for gas which it can no longer sell.

Mr Peter Lehman, executive in charge of European operations, said any sales to the continent would be well below the company's average cost of gas of about 20p a therm. Gas prices in continental Europe are around 15p a therm, but Mr Lehman said exports would still have a positive effect as that price would be above the current low spot price in the UK of less than 10p a therm.

The inter-connector, in which British Gas has a 40 per cent stake, is of strategic importance to the company. But the project is proving complicated and controversial. Local opposition to a new compression station in Bacton has delayed planning permission for the project, which is due for completion in 1998, when British Gas loses the last of its remaining monopoly in the residential gas.

It might also prove much more costly than the £440m earmarked for the undersea pipeline. British Gas may have to spend another £300m on reinforcing its existing land-based pipeline system to cope with export volumes, which could add up to a quarter of British Gas demand.

Preliminary talks have begun with Ofgas, the industry regulator, on how such costs could be apportioned. British Gas accepts there would be a public outcry if gas consumers were asked to pay for bolstering the existing pipeline system to enable a commercial project to go ahead.

But some executives believe the inter-connector is not just commercial. It will help secure UK gas supplies in the next century, carrying imported gas once British reserves are depleted.

The fact that British Gas has so far failed to secure any contracts with European customers has not reduced the company's enthusiasm. Mr Lehman said: "British Gas will want to go ahead with the inter-connector even if no contracts are in place."

Lex, Page 18

French group to more than halve number of staff at HQ

Suez prepares for property shake-up

By Andrew Jack in Paris

Suez, the flagship French industrial and financial holding company, is set to announce tomorrow plans to restructure the management of its property investments and to more than halve the number of staff in its Paris headquarters.

The group will transfer nearly all its remaining property holdings into Crédisuez, one of its subsidiaries, and appoint a new executive to take control of their management and sale over the next few years.

It also proposes to cut the number of staff at Compagnie de Suez, the holding company, from about 180 to 80 in an attempt to reduce substantially the role of the head office in the affairs of the operating companies.

The initiatives are among the most important to be undertaken since the appointment in July of Mr Gérard Mestrallet as chairman of the group, after a shareholder revolt led to the resignation of his predecessor, Mr Gérard Worms.

He is believed to want to limit the work of the remaining staff and executives in the holding company to two main functions: examining strategic directions for the group and co-ordinating tighter management and financial reporting with its subsidiaries. The group is likely to appoint a new senior financial executive in the coming weeks.

Those who know the company say Mr Mestrallet believes that Suez should focus on four main activities: Générale de Belgique, its Belgian holding company; Banque Indosuez, its banking group; a separate specialist financial services arm; and an equity investments division.

In broader terms, the refocusing would probably be based on financial services and services to local authorities. There will be two priority regions: France and Benelux, and Asia.

Mr Mestrallet has decided to follow the strategy of his predecessor and to dismantle Suez's remaining activities in two other areas: the property sector and insurance. It has already sold a number of investments in these divisions.

However, he appears committed to holding on to Indosuez, which suffered under rumours earlier this year that it was likely to be sold. McKinsey, the US consulting firm, is completing an analysis of its future direction, which will lead to changes early next year.

Mr Mestrallet surprised the market this October by announcing new provisions of more than FFr4bn against property for the first half of 1995, only six months after Mr Worms had unveiled "once-and-for-all" property provisions of FFr7.6bn for 1994. Executives predict that the group should return to profitability during the first half of next year.

In early September, he also announced the creation of a six-man executive committee, comprising leading shareholders.

Glyn Genin

Lord Sterling, P&O chairman, with the 77,000-tonne Sun Princess, the largest cruise ship afloat, at Fort Lauderdale this weekend

Institutions express doubt over Granada's bid for Forte

By David Wighton in London

Some of Granada's largest investors are expressing doubts about its £3.3bn bid for Forte, the UK's largest hotels company, seeing it as a risky diversification.

After meetings last week, the UK TV and leisure group has failed to convince some institutions it is the best way to enhance shareholder value.

"There is no logic in diversifying from cash generative television and catering businesses into capital intensive hotels. If Granada cannot find a more logical deal, it should channel some of the cash into buying back its own shares," said one.

Another called the bid "the type of old-style conglomerate deal, which even the conglomerates have turned their backs on".

Although most big shareholders are supportive, they admit there are risks. "We believe Granada has the skills to release value from Forte, which its management has signally failed to do. But diversified groups are out of fashion and there is a chance that Granada's share rating might suffer," said one.

The bid for Forte runs counter to a trend for companies to focus on a few core businesses. Even Hanson, once seen as the archetypal conglomerate, has followed it, selling peripheral activities and trying to build market leadership in its existing businesses. Admittedly, the City saw little strategic logic in Hanson's acquisition of Eastern Group, but that may partly explain the subsequent fall in its share price.

Mr Gerry Robinson, Granada's chief executive, argues that hotels are closely allied to its existing catering interests. But some institutions are nervous about a move into a capital intensive and cyclical business where returns are notoriously low.

One said: "We like the existing businesses but hotels are very different and unless Granada can make a quick turn on some of the assets it looks a risky deal."

Some shareholders believe there are better uses for Granada's cash. "Buying back shares would enhance earnings without any risks and buy-backs are no longer seen as an admission of defeat. But there is still an element of macho in buying companies," said one fund manager.

Lex, Page 18

Ringnes suffers twin setbacks on Coca-Cola

By Nikki Tait in Sydney, Christopher Bobinski in Warsaw, and Christopher Brown-Humes in Stockholm

Pripps Ringnes, the newly merged beverages group formed by Orkla of Norway and Volvo, the Swedish vehicles manufacturer, has suffered a double blow. It claims Coca-Cola, the Atlanta-based drinks group, has forced it to sell its Polish Coca-Cola franchise. Separately, Coca-Cola has cancelled its Swedish licensing agreement.

The Swedish move, which takes immediate effect, affects SKr1.4bn ($215m) of Swedish sales, threatens up to 700 jobs and leaves the group facing closure costs of up to SKr300m. The group also expects the decision to have a "significant negative impact" on 1996 profits.

Pripps said changes sought by the US group were too extensive to be acceptable. Mr Avild Mathisen, Ringnes' chief executive, said a similar move in Norway, where Ringnes is also Coca-Cola's bottler, would be difficult "for legal reasons".

In Poland, Coca-Cola Amatil (CCA), the Australian-based soft drinks bottler which operates Coca-Cola franchises in Asia-Pacific and central and eastern Europe, will buy Ringnes' franchise for A$104m (US$77.6m). Mr Michael Ihlein, managing director of Coca Cola Amatil (CCA) in Poland, denied Ringnes was forced to sell. "Evidently we made them a good offer," he said.

The Australian group has agreed to buy the entire shareholding of the three companies, which service Warsaw, Bydgoszcz and Lublin. The Warsaw business is 51 per cent owned by Ringnes and 49 per cent by The Coca-Cola Export Corporation (TCCEC), which is part of the Coca-Cola group. Ringnes owns 100 per cent of the bottling assets in Bydgoszcz and Lublin.

CCA's latest acquisition follows its purchase of TCCEC's wholly owned bottling interests in Poland in January, and will mean it now has access to more than 90 per cent of Poland's population, compared with about 60 per cent at present.

The sale tears a large hole in Ringnes' strategy in Poland. Mr Mathisen, said his company was leaving its three bottling plants in Poland "poised for further growth". Ringnes owns breweries in each of the Baltic states and in St Petersburg.

This week: Company news

CANADIAN BANKS

Gaining strength to face the giants over the border

Canada's two biggest financial institutions, Royal Bank of Canada and Canadian Imperial Bank of Commerce, are set to follow their smaller rivals this week with record fiscal 1995 earnings, *writes Bernard Simon in Toronto.*

Royal and CIBC are each likely to post net income of well over C$1bn (US$738m) for the year to Oct 31.

Analysts expect Royal's earnings, due tomorrow, to rise to about C$3.50 a share, against 1994's C$3.19.

CIBC's earnings, on Thursday, are expected to climb close to C$4 a share from C$3.52.

All Canada's banks have benefited from shrinking non-performing loan portfolios, higher lending volumes and strong securities markets.

However, they have faced a new challenge in recent months from mergers and acquisitions among their US rivals.

Royal, with assets of C$177bn, was at one time North America's third biggest bank; now it is sixth.

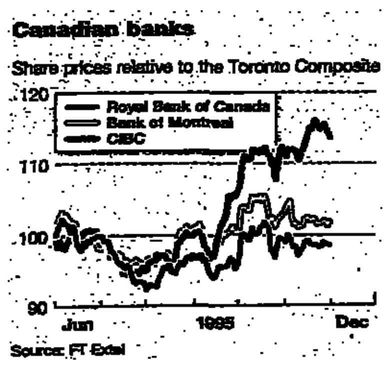
Mr Matthew Barrett, chairman of Bank of Montreal, which owns the third biggest bank in Chicago, said last week that his boxing days had taught him that "a good big man will always beat a good small man".

But he noted that it was still too early to tell how agile and efficient the new US behemoths would be.

Most of the Canadian banks are keen to build on their extensive US corporate banking business. Royal has been searching for a US acquisition for several years, while CIBC has invested heavily in a New York-based derivatives and high-yield bond operation.

However, acquisitions have been discouraged by high prices for US banks and by Ottawa's stringent goodwill accounting rules.

Canadian banks



Source: FT Extel

OTHER COMPANIES

Ferfin shareholders to vote on capital

Ferruzzi Finanziaria, the Italian holding company, will put its L950bn (£382m) capital increase to the vote at a special shareholder meeting on Thursday. The meeting could slip to Friday, or Monday December 11, if insufficient shares are represented at the first meeting. The rights issue is intended to shore up Ferfin's finances following postponement of plans for a merger with Gemina, the investment company. The meeting could provide an opportunity for Ferfin's big banking shareholders to voice their discontent with Mediobanca, the Milan merchant bank which is organising the rights issue. They seem likely to boycott the capital increase, leaving the shares in the hands of an underwriting consortium led by Mediobanca itself.

■ **UK brewers:** Scottish & Newcastle, the largest brewer, reports today and Bass, number two, on Wednesday. S&N is expected to produce interim pre-tax profits of £157m before exceptionals, up from £145.6m. Bass is expected to report pre-tax profits for the year to September of about £590m, against £552m, including exceptionals, a year earlier. Greenalls expects pre-tax profits for the year to September to be no less than £100m, against £74.8m a year earlier.

■ **Siebe:** The international controls and appliances group is expected to announce sharply increased first-half profits on Tuesday of between £140m and £150m ($237m), against £119.5m last time. The improvement is thought to have been fuelled by strong US demand for temperature controls and a recovery of its specialist engineering businesses in Europe. The benefits of new products in such areas should offset any softening in demand for automotive controls and industrial appliances.

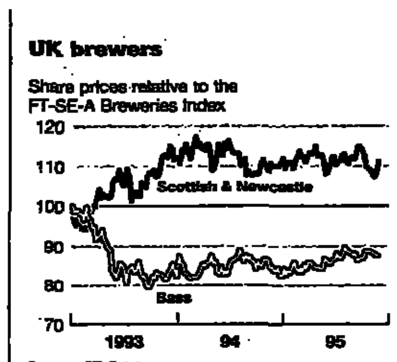
■ **Racal Electronics:** Analysts expect contributions from the National Lottery, in which Racal has a 22.5 per cent stake, to bolster half-year profits at the data communications, security and electronics group.

Pre-tax profits, to be announced on Tuesday, of about £30m, compared with £23.6m, are being pencilled in by analysts.

Underlying trading at the group is expected to decline slighty, with tough trading conditions in the data communications business.

■ **Carlton Communications:** The UK broadcasting and media services group is expected to announce continued strong profits growth when it reveals its full-year profits on Wednesday. Pre-tax profits of about £245m are likely, against £190m last time. The profits have been boosted by growing programme sales, particularly of drama. Acquisitions or new investments during the year were modest and included minority stakes in a French satellite channel and an Asian karaoke channel. Analysts' forecasts for the 12 months to September range from £225m to £250m.

UK brewers



Source: FT Extel

■ **NFC:** The UK transport and logistics group reports its annual results on Wednesday. NFC has had a dismal couple of years and this year's numbers are forecast to show a drop in pre-tax profits from £106.3m to £82m, excluding exceptional items. Analysts will be eager to hear the thoughts of Mr Gerry Murphy, the new chief executive, on how European losses are to be halted and how NFC will return to growth.

■ **Compass:** The world's biggest contract catering company after the FFr4.5bn ($920m) purchase of Eurest International is expected on Thursday to announce annual pre-tax profits of about £74m, up from £55.7m. This will include the first full-year contribution from Canteen, the US acquisition that recently won a five-year contract with IBM. Compass is also expected to announce the sale of healthcare division to management for about £175m.

Companies in this issue

COMPANIES AND FINANCE

Letter holds key to C&W pay-offs

By William Lewis

Directors of Cable and Wireless, the telecommunications group, are seeking legal advice on a letter which is at the heart of negotiations over a pay-off to Lord Young of Graffham, the group's former executive chairman.

The letter, signed apparently by Lord Sharp, the late chairman of C&W, has been sent by directors to legal counsel "to establish what commitments arise out of it," an insider said.

Lord Young, deposed two weeks ago as chairman, is fighting for a pay-off worth more than £2.5m, despite earlier claims that he had no contract with the company.

Lord Young and Mr James Ross, chief executive, were last month asked to leave by the board after a power struggle between the two men. C&W attached no blame to either man and said each would get what he was due.

Mr Jonathan Solomon, an executive director, said last night that he did not know of the letter's existence: "I'm not in the know about it. The only guy that would know is the company secretary".

He also said: "I do not know what constitutes a contract. Does a letter constitute a contract? I do not know. If there is a letter then there is a letter. The people are doing their duty in finding out what that constitutes," he said.

On Friday Mr Ken Claydon, C&W's company secretary, said: "We have no letter, no contract." He also said: "The last thing anybody would be doing is negotiating with Lord Young about his pay-off."

Mr Nigel Griffiths, Labour's consumer affairs spokesman, yesterday called for the Department of Trade and Industry to investigate. He said he would be writing to Mr Ian Lang, secretary of state, asking him to launch an independent inquiry.

C&W's 1995 annual report states that "the executive chairman and the non-executive directors have no contracts".

Tokyo trading house buys shares in Amec

By Andrew Taylor

Nissho Iwai, one of Japan's biggest trading houses, has been buying shares in Amec, the UK construction group, which is the subject of a hostile takeover bid from Kvaerner, the Norwegian shipbuilding and engineering group. So far, Nissho's purchases have been small, less than one per cent of Amec shares, but the company is expected to be back in the market today.

Kvaerner, which is offering 100p for each Amec ordinary share, moved last night to dampen speculation that the Japanese company might be seeking to spoil its offer either by entering the bidding itself or by purchasing a strategic stake.

Representatives of the Norwegian company said: "The purchases and the identity of the purchaser have still to be confirmed but we know from our own figures that any buying has been very small.

"We doubt that any Japanese trading house would wish to take the management responsibility for restructuring a troubled UK engineering company. Finally, when was the last time a major Japanese group threw itself into a hostile bid?"

Nissho Iwai was involved with Amec in the formation of an Anglo-Japanese-Chinese consortium which won a £800m contract to build the terminal building for the new Hong Kong airport at Chek Lap Kok. Kvaerner also launched a strong attack on Amec's poor record in meeting profit and dividend forecasts.

The assault comes ahead of the publication this week of Amec's defence docment which is expected to stress the company's earnings recovery potential. Kvaerner, in a document to Amec shareholders, said the British group, after writing down land and property values by £60m in 1992, had said: "This is an adequate provision taking account of current and forecast market conditions." Within 12 months it had announced a further £63m provision.

The document quoted Sir Alan Cockshaw, Amec's chairman, as telling shareholders last September that "we remain confident about the prospects for 1995 and beyond." A year later he announced a one-third drop in first-half pretax profits to £6.1m.

Kvaerner will announce its terms for Amec preference shareholders today.

£1bn joint offer for Littlewoods

By David Blackwell

Littlewoods, the UK retail and football pools group, has received a £1.1bn bid from N. Brown, a mail order operator, and Iceland, a frozen-food retailer.

The 32 family shareholders are expected to discuss the latest offer at an egm on Thursday – but they will not be voting on it. The meeting has been called to vote on a potential £1.2bn takeover bid from Mr Barry Dale.

Mr Dale's offer, via his Bideo consortium, is expected to be rejected. But his bid has thrown open the future of Littlewoods, which has traditionally been run in an atmosphere of secretiveness.

N. Brown is chaired by Sir David Alliance, who with his family owns 58 per cent of the shares. At the beginning of this year he approached Littlewoods with an offer to buy its mail order business. Iceland operates food halls in about 40 Littlewoods stores. It said it would like to buy all 128.

Sir David, also chairman of Coats Viyella, said yesterday Charterhouse Bank had suggested the two groups get together and make a joint offer. The addition of Littlewoods' mail order would take N. Brown's market share from 4 to 26 per cent.

Last-ditch move on Swalec bid

By Peggy Hollinger

Welsh Water has contacted South Wales Electricity in a last-ditch attempt to clinch a recommended bid for the regional electricity company.

NatWest Markets, financial advisers to Welsh Water, on Saturday contacted N.M. Rothschild, Swalec's advisers, indicating they would like to discuss further the possibility of reaching agreement following Swalec's rejection of a 916p offer on Thursday.

Directors of the two companies returned to London yesterday in the hope of setting up a meeting. Welsh Water had been expected to launch a hostile bid today.

It is believed that Swalec has not changed its view that 916p undervalues the company. However, both sides are under pressure to negotiate an agreed bid.

Some Welsh Water investors have been keen to see a recommendation, allowing the electricity company's management to run the business following a takeover.

Meanwhile, Welsh Water dismissed fears expressed by the National Rivers Authority that a takeover could jeopardise the group's commitment to investing in environmental improvements beyond those required by the industry regulator.

Mr Graham Hawker, chief executive of Welsh Water, said the company would "honour all its promises for additional voluntary expenditure on the environment".

Cool response to Hungary's electricity sale

By Virginia Marsh in Budapest

Hungary's ambitious electricity privatisation plans have been thrown off track by an unexpectedly low number of bids from foreign investors.

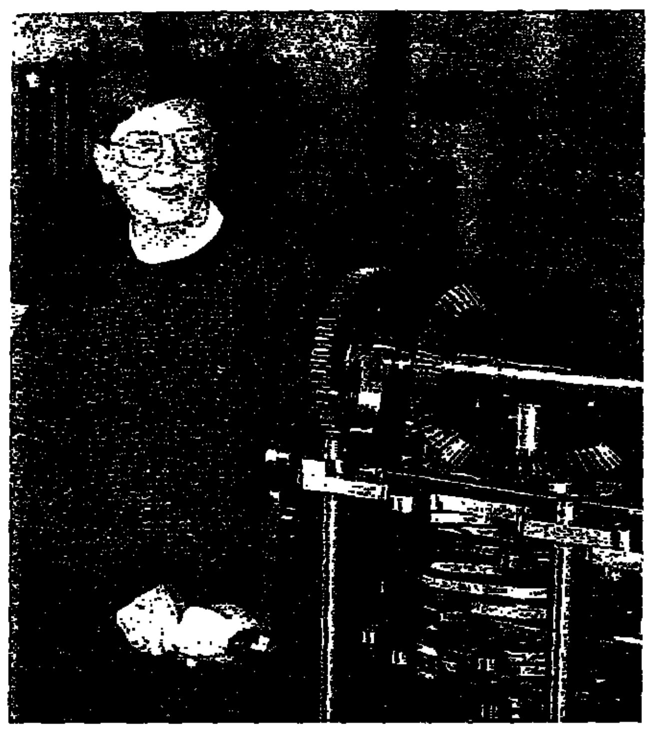
APV Rt, the state privatisation agency, has received just 25 bids for minority stakes in the country's 14 electricity companies, well below government expectations of an average of at least four bids per company. Investment bankers also said the value of bids for many of the companies was likely to be lower than hoped, because of regulatory and pricing uncertainties.

A consortium of Bayernwerk of Germany and Eléctricité de France is believed to be the only bidder for MVM, the core company which will retain the national grid and the Paks nuclear plant. MVM's 13 non-nuclear power generation and distribution units have been hived off and are being privatised individually.

Twenty-six international energy companies purchased the tender documents but several, including Midlands Electricity and Eastern Group of the UK, dropped out because of an incomplete regulatory framework.

Bidders also complained they were given too little time – 45 days – to prepare offers. APV Rt is advised by Schroders.

The electricity sales contrast with the strong interest shown in Hungary's five regional gas distribution companies. Tenders held two weeks ago attracted 22 bids, with top offers equivalent to two or four times book value, higher than expected.



Hello Mr Chips: Bill Gates, founder of Microsoft, operating the Babbage Second Difference Machine, designed in 1847-49 and acknowledged as the forerunner of modern computing, as he visited London's Science Museum yesterday

Gates on advertising, see Media Futures

KPMG lifts worldwide revenues to $7.5bn

KPMG, the Big Six accountancy firm, yesterday announced world-wide revenues of $7.5bn (£4.9bn) for the year to September 30 – 13 per cent up on 1994's revenues of $6.6bn, writes Jim Kelly.

Mr Jon Madonna, chairman, said growth in Asia and eastern Europe had been "gratifying." "We are pleased with our performance in all our principal markets," he said.

In a switch of accounting practice the firm said its revenues had been based on total billings to customers rather than net fee income – the 1994 figures had been restated so a comparison could be made.

Ernst & Young, another one of the Big Six, announced worldwide revenues for the same period of $6.87bn – a 14 per cent increase.

Mr Nick Land, senior partner in the UK, said the figures represented a record increase.

LSI Logic plans low-cost chip access to Internet

LSI Logic, the leading US manufacturer of application-specific integrated circuits, has combined all the logic circuits needed to create a low-cost Internet access system on a single silicon chip, writes Louise Kehoe.

The Internet-on-a-chip technology will hasten the introduction of a new generation of consumer products for accessing the Internet, LSI said. It expects to be able to deliver production quantities of the new device to systems manufacturers by mid-1996.

The performance of systems built using the LSI Internet device could rival that of general-purpose personal computers, at a fraction of the cost, the company maintained.

"By this time next year, there will be 'Internet browser box' systems available for well under $500," said Brian Halla, LSI executive vice-president.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Wolters Kluwer (Netherlands)	CCH Inc (US)	Publishing	£1.2bn	WK's biggest buy yet
Kvaerner (Norway)	Amec (UK)	Construction	£375m	Final cash offer
Minorco (Luxembourg)	Unit of BTR (UK)	Building materials	£330m	BTR speeds disposals
Asahi Breweries/Itochu Corp (Japan)	China Brewery (HK)	Brewing	£34m	Buying mainland rights
Sema (UK/France)	TS FM Holding (France)	Computer services	£23m	Outsourcing stake
Crabtree Group (UK)	Oven Systems (US)	Industrial machinery	£21.4m	First major buy
London International (UK)	Mister (Malaysia)	Rubber	£2m	Buying a market leader
Dresdner Bank (Germany)	RCM Capital Management (US)	Financial services	n/a	Continuing intl drive
Illinois Tool Works (US)	Elettro GiBi (Italy)	Electronic components	n/a	Charterhouse venture exit
Genencor Intl (US)	Unit of Solvay (Belgium)	Pharmaceuticals	n/a	Turnover-doubling deal

LEGAL NOTICES

GLOBAL ENERGY TECHNOLOGIES LIMITED
(IN COMPULSORY LIQUIDATION)

On 23rd November 1995 by Act of the Royal Court of the Island of Guernsey, pursuant to Section 94 of The Companies (Guernsey) Law 1994, the Company was ordered to be compulsorily wound up.

All persons having claims against the Company are requested to send details thereof to the undersigned joint Liquidator not later than 31 January 1996.

All persons indebted to the said Company are requested to settle the accounts concerned direct to the joint Liquidator not later than 31 December 1995.

CHRISTOPHER MORRIS, FCA
Joint Liquidator

Touche Ross & Co
Po Box 810
Cedric House
8-9 East Harding Street
London EC4A 3AS
England

adidas has crossed the finishing line and is now on its marks at the stock exchange

Whether as the world's third largest producer in the sports equipment field, global market leader in football and handball articles or Europe's overall reigning champion, adidas has always gone for gold - and won it every time.

The success story of the triple stripes started around 75 years ago. And even on today's tough competitive track, adidas continues to outpace most contenders. With over 40 subsidiaries, 50 distributors and 45 franchises in more than 160 countries, the company generated sales of DM 3.2 billion in 1994, including DM 1.4 billion sales turnover from franchise business. With such a star-studded track record, adidas easily qualified for the stock exchange stakes and went straight for one of Germany's top coaches in the equity house league, Dresdner Bank.

As joint global coordinator and lead manager, we once again utilised the book-building process, a process we pioneered for the German market, and the Greenshoe procedure during the adidas subscription period. This made sure the issue scored a direct hit with investors.

But going public can mean game, set and match not only for large corporations such as adidas. In 1995 a number of other major and medium-sized players let us lead the way to a successful listing on the stock exchange. These included Merck, SGL CARBON, IFA and effeff.

If you'd like to learn more about the potential benefits of your company going public, about our own track record in customised implementation strategies and our clear customer focus, just talk to our Corporate Finance Division. The number to remember: +49/69/263-2221.

Dresdner Bank

COMPANIES AND FINANCE

NEWS DIGEST

Bankers Trust wins High Court ruling

A British court has ruled in favour of Bankers Trust in a dispute with an Indonesian company over a complex derivative contract. The victory is the first scored by the US bank in a series of legal disputes with customers over such contracts.

The High Court concluded that Bankers Trust had not misled the Indonesian group, Dharmala, over leveraged swap contracts pegged to US interest rates. The deals turned against Dharmala after the US Federal Reserve began to raise interest rates in February 1994, leading to what the bank claims is a liability of $64.7m.

The Indonesian company followed other Bankers Trust customers, such as Procter & Gamble and Gibson Greetings, in claiming it had been misled by the bank over the swaps. Mr Justice Mance concluded that, while the Bankers Trust salesman involved in the deals "was no doubt an enthusiast, and capable of marketing the transactions . . . with considerable skill and persuasiveness," he had not acted dishonestly or misrepresented their effect.

The US bank said it was "gratified" by the decision, which it said was the first time any court had ruled on the duties and obligations of the buyers and sellers of derivatives.

Richard Waters, New York

Cariplo sell-off advisers listed

The charitable foundation which owns Cariplo, the Milan savings bank, has narrowed down its list of possible advisers to a flotation of the bank to three foreign banks. It has asked Goldman Sachs, Morgan Stanley and UBS to produce a more detailed study about how shares in Cariplo should be sold. Its earlier list included several Italian institutions.

The foundation announced in March that it intended to seek a stock exchange listing for Cariplo's shares and to modify its statutes to allow more than 50 per cent of the bank to be sold. The Italian Treasury and the Bank of Italy believe privatisation of the Italian banking sector, much of which is still controlled by public-sector foundations, will aid economic expansion.

Andrew Hill, Milan

Interhotel chain rescued

A consortium of German banks, headed by Deutsche Bank, has agreed a rescue package for Interhotels, the Berlin hotel chain which ran up debts of over DM3bn ($2.08bn). Deutsche Bank will take a 45.5 per cent stake in Interhotels, giving it access to the group's 23 lucrative property sites in east Berlin, Leipzig and Dresden. Deutsche Pfandbrief-und Hypothekenbank (Depfa) will take a 32.5 per cent equity stake.

The remainder will be divided among other banks, while Mr Klaus Groenke and Mr Axel Guttmann, who bought Interhotel chain the Treuhand for DM2.2bn in 1991, will retain 8 per cent.

Judy Dempsey, Berlin

Spanish bank plans financial restructuring

By David White in Madrid

Banco Central Hispanoamericano, the Spanish banking group, has announced measures to complete a financial restructuring which will involve drawing on reserves to make special provisions and paying a sharply reduced dividend.

BCH, which was created by a merger four years ago, said the measures would allow it to enter a "new stage" from next year.

José María Amusátegui, the chairman, said the board would give priority to strengthening the bank's balance sheet and promised from now on it would be "robust" and "profitable". Along with the measures, directors' pay would be "drastically" reduced, he added.

The bank is proposing a total dividend for 1995 of Pta75 a share, the same as last year's interim dividend, and a 40 per cent cut on the Pta125 total payout for 1994. It is the second year running that the bank has slashed its dividend by this proportion. Two years ago its total annual dividend was Pta210 a share.

As well as charging the dividend to reserves, the bank said it would use Pta95.44bn ($776m) of reserves to cover loan, portfolio and property risks. This is in addition to a planned Pta124bn of provisions from the 1994 results, after Pta158bn in 1994.

After this set-aside, attributable net profit for the consolidated BCH group is expected to fall to about Pta12.5bn for the year, 62 per cent down on the previous year's Pta32.79bn, following a 32 per cent decline in 1993.

At the pre-tax level, group profit is expected to be about Pta25bn, against Pta44.26bn for the previous year. But its forecasts show this doubling to more than Pta50bn in 1996 and Pta70bn in 1997.

The parent bank expects net profit to be down to Pta5.1bn, against Pta23.01bn in 1994.

BCH said it was applying to the finance ministry for a tax credit on the money being transferred from reserves, which could bring in an additional profit of Pta35bn.

Reinforced provisions would now cover 90 per cent of non-performing loans, it said, compared with 75 per cent a year ago and only 66 per cent in 1993.

The move means a reduction in total capital and reserves from Pta690bn to Pta595bn, after incorporation of 1994 profits and deduction of the Pta12.3bn needed for the dividend payment.

However, it said it planned to raise this figure by Pta50bn next year through the issue of subordinated debt and preference shares.

The bank said it would continue to seek improvements in productivity, after cutting the number of branches by 27 per cent over the past four years to 2,600 and personnel by 23 per cent to 24,400.

Investors meet to discuss purchase of Banco Inverlat

By Leslie Crawford in Mexico City and Bernard Simon in Toronto

Executives from the Bank of Nova Scotia and other foreign investors are due in Mexico City today to discuss the possible acquisition of Banco Inverlat, Mexico's fifth largest commercial bank, which was rescued from insolvency by the government last Thursday.

Inverlat is the largest bank to have been taken over by the government since the devaluation of the Mexican peso last December. So far, the government estimates it has spent 83bn pesos ($11bn), or close to 5.1 per cent of gross domestic product, to prevent the banking system collapsing with the rest of the economy.

The loss of Banco Inverlat is a bitter blow to Mr Agustin Legorreta, a scion of Mexico's banking aristocracy, who was also forced to relinquish Banamex, Mexico's largest bank, when the government of José Lopez Portillo nationalised the banking system in 1982.

Ten years later, Mr Legorreta marshalled a group of investors to buy Banco Inverlat for $1.25bn. Its present value on the stock exchange, Mr Legorreta admitted in an interview, was less than 10 per cent of its privatisation price.

He estimated Inverlat's capital shortfall at hundreds of millions of dollars. He said problem loans had continued to grow since June, when Inverlat last reported financial results and past-due loans stood at 16.5 per cent of the bank's loan portfolio of 41.5bn pesos.

"The real economy has remained very depressed, while interest rates have been high. And despite a high proportion of loan restructuring, we have not been able set aside sufficient provisions against non-performing loans," Mr Legorreta said. "That is why we lost shareholder control to the government. But we continue to manage the bank."

Banking regulators have stressed that the management of the bank is not suspected of any wrongdoing. There was also relief that there had not been a run on its deposits.

Bank regulators said they were forced to take action after Bank of Nova Scotia, which holds an 8 per cent stake in Inverlat, indicated it would not decide whether to inject fresh capital into the bank until after the new year. Inverlat's capital and reserves, they said, were too precarious to last until then.

In Toronto, Mr Bob Chisholm, Scotiabank vice-chairman, said: "We will do everything we can to support Inverlat as a shareholder. How much we do has still to be determined."

However, Mr Chisholm said Scotiabank's desire to turn its stake in the Mexican group into a controlling interest had cooled, mainly due to the further deterioration in Mexico's economy.

Bank Hapoalim to maintain company investment policy

By Julian Ozanne in Tel Aviv

Bank Hapoalim, Israel's biggest and most profitable banking group, will continue to invest heavily in non-financial assets despite new banking regulations, Mr Amiram Sivan, chief executive, said yesterday.

In an interview, Mr Sivan said Hapoalim's impressive third-quarter results published last week vindicated the success of the bank's non-financial portfolio as a means to boost profits when earnings from capital market activities were being squeezed.

Net income in the quarter rose 22 per cent over the same period last year from Shk139m ($45.2m), or 11 agorot an ordinary share, to Shk170m, or 14 agorot. Net income for the nine months to September rose 33 per cent from Shk421m, or 34 agorot per share, to Shk560m, or 45 agorot per share.

The results excluded Shk27m net profit from the bank's surplus investments. Bank Hapoalim is being forced to divest part of its interest in certain companies by the end of 1996 as a result of government legislation limiting non-bank holdings to a maximum of 25 per cent of the share capital of any single company.

Nevertheless in the first nine months its non-financial assets, largely stakes in Israel's holding companies such as Koor and Clal, contributed 40 per cent of its reported profits.

According to Union Bank of Switzerland, if Bank Hapoalim meets the December 31 1996 deadline to divest its surplus holdings it will involve asset sales of about $235m.

Mr Sivan said the bank was strongly against central bank moves to further reduce non-financial assets held by banks to a maximum stake of 20 per cent in any investment.

"There has never been any evidence that bank ownership of non-financial assets harmed the economy," he said.

Two groups are competing to buy a 40 per cent stake in Hapoalim at a cost of about $750m for an implied valuation of $1.9bn, versus a current equity market capitalisation of about $2.1bn.

The first group includes Goldman Sachs, George Soros and the Bronfman family of Canada, through Israel's Claridge holding company. The second is led by Israeli businessman Eliezer Fishman and includes Bear Stearns.

The bidders have expressed deep concern about a further change in government regulations.

Navigation Mixte sees deficit for current year

By Andrew Jack in Paris

Navigation Mixte, the French holding company subject to a shareholder revolt this summer, expects to unveil losses of FFr300m-Fr500m ($60m-$100m) for 1995.

The figures came at the completion of a study of the group's financial position by Mr André Lannois, the chairman appointed after Paribas, the French financial services group which is Mixte's leading shareholder, pushed through a resolution of no confidence in his predecessor, Mr Marc Fournier, at the annual meeting.

Mr Lannois dampened speculation that the group might be broken up and sold off, although he said he had already arranged for the sale of one peripheral business – a hotel in Tunisia – and that others would no doubt follow.

He said the group would largely be at break-even at operating level for 1995 with the exception of heavy losses at Fichet Bauche, its safes and banking security division. There would also be substantial provisions across the group.

He said he expected to have a clearer idea of the group's future direction over the next eight months. He hinted that he believed holding companies should be focused and not involved in too many different sectors.

Mr Lannois stressed that the solvency margins of Via Banque, its banking group, were sound and the bank was suffering no more than many of its competitors in Paris.

He said he intended over the next two years to improve the profit margins of the group, which it is believed would largely be possible with existing management teams.

He said that in principle he was willing to sell Navigation's stake in Allianz Via Holding France, its business linked to the German Allianz insurance group, but said "I am not rushed". Mr Lannois also said that "now is not the moment to sell" the group's stake in Paribas.

Computer groups to disband joint venture

By Louise Kehoe in San Francisco

IBM, Hewlett-Packard and Apple Computer are expected to disband Taligent, a joint venture company formed four years ago to develop object-oriented software technology.

Former Taligent executives said the joint venture had floundered because the partners had been unable to agree on strategy and the costs of the venture kept mounting.

Taligent's operations will be absorbed by IBM, according to industry executives, and about half of Taligent's staff, or about 200 people, will be laid off.

A second IBM-Apple joint venture, Kalieda Labs, which was developing multimedia software development tools, was closed last month. Apple is absorbing Kalieda's development team into its research operations.

Taligent and Kalieda were formed by IBM and Apple in 1991 as part of their broad alliance which also involved Motorola.

It was aimed at creating new hardware and software standards for personal computing to compete with Microsoft and Intel, the dominant software and chip suppliers in the PC industry. HP later took a stake in Taligent.

IBM, Apple and HP said they were in talks about the future of Taligent, but declined to comment on reports that the venture would be closed. An announcement is expected this week.

Taligent has developed object-oriented software development tools, but has not lived up to original ambitions to create a new type of computer operating system.

The object-oriented approach to software development enables blocks of programming code, called objects, to be reused in different programs, thus speeding the creation of new applications and lowering development costs.

Poland sells stakes in two tyre groups

By Christopher Bobinski in Warsaw

The Polish government has sold two strategic stakes in Debica and Stomil Olsztyn, the country's two listed tyre producers, to Goodyear of the US and Michelin of France.

Goodyear, advised by Credit Suisse First Boston, agreed to pay $55m for a 32.7 per cent stake in Debica and promised to invest a further $60m in the company, eventually giving it a majority of the shares.

Michelin, which tried and failed to purchase Debica, agreed to pay $112m for 52.1 per cent of the shares in Stomil Olsztyn, in northern Poland. The French company intends to invest a further $150m there over the next four years.

Michelin paid 19.75 zlotys a share for its stake in Stomil, which makes truck and tractor tyres, while Goodyear paid 40 zlotys a share for Debica, primarily a car tyre maker. Goodyear says it intends to make truck tyres too.

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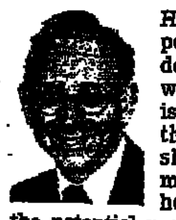
FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Peter Martin

Mixed signals of feared slowdown



How much of a possible slowdown in the world economy is reflected in the price of shares? Or, more precisely, how much of the potential pressure on corporate earnings from slower growth is captured in current stock market valuations?

In the US, the answer is simple: the straight-line rise in share prices since this time last year suggests that investors are confident that earnings, up strongly this year, will continue to rise.

In Japan (which dominates the Pacific Basin index, shown in the chart) the answer is simple too.

The regional index, in dollar terms, is below the level of early 1994. In spite of the recent flurry of activity, which has taken the Nikkei 225 index to a ten-month high, the Japan component of the FT/S&P Actuaries world index is still some 4 per cent below its level of a year ago. Even if the worst of the Japanese recession is over, there is little optimism of growth in corporate earnings.

The answer is less clear for Europe. Though the region has noticeably under-performed the US in 1995, the real gap has only appeared since the summer.

It was around then that the US's recovery from its growth pause became manifest, at the same time as disappointment over European growth prospects materialised.

It is not clear, however, that the full impact of a slowdown in world growth is yet reflected in European share prices. They are still, after all, around record levels in dollar terms.

And in the US all the blue chip indices reached new highs last week, even though the National Association of Purchasing Managers' survey continued to suggest a slowdown in manufacturing.

If enough people believe that the Dow is on its way to 6,000, a rising stock market could go hand in hand with a slowing economy.

The US economy may not be slowing, of course, despite the purchasing managers' pessimism. Services growth could offset any weakness in manufacturing output. This Friday's payroll figures will provide a clear indication of the trend. But European growth certainly looks weak next year.

A survey of Europe's top managers carried out this autumn by United Parcel Services and Harris International showed a sharp drop in optimism about the economic outlook in every country. Perhaps most worrying of all, in Germany – the country where managers in other countries expected the strongest growth – executives were noticeably less optimistic than their peers elsewhere. Only in France, in fact, were managers less cheerful.

The danger is that Europe's stock markets could bask in the advantages of the slowdown – lower bond yields which make equities more attractive on a valuation basis – without adjusting their expectations of corporate earnings to match the new lower-growth environment. If that is what is happening then at some stage these divergent expectations must come back into line.

One way for this to happen is for economic growth to turn out higher. Another is for stock prices to be reassessed on the basis of lower projected earnings. Which is it to be?

Of course, even if the fluctuations of economic growth are a powerful influence on the stock market as a whole, they provide only a limited explanation of the performance of individual stocks. One analyst was arguing this week that the market places too much emphasis on the demand for an industry's products, and too little on what is happening to supply.

Thus, even if the most bullish forecasts of demand for, say, mobile phones or semiconductors are correct, the stock market is probably over-estimating the extent to which that will translate into profits.

Simultaneous construction of excess capacity is an inevitable part of the capitalist process. When it comes on stream prices are driven down, delighting consumers but ensuring that profits never reach the levels on which the construction plans were justified.

At this phase of the cycle, we are just starting to reach the point at which newly-constructed surplus capacity makes itself apparent.

Swaps market

What is the significance of European Monetary Union for the swaps market?

This apparently arcane subject is currently absorbing the time of some of the world's leading investment bankers. The crucial question is what happens when the currency in which a long-term swap is denominated disappears as part of Emu.

The settlement process, early next century, will produce windfall winners and losers. Those who are being repaid in, for example, a stronger currency than was originally anticipated will be winners; those who must pay out in a stronger currency will be losers.

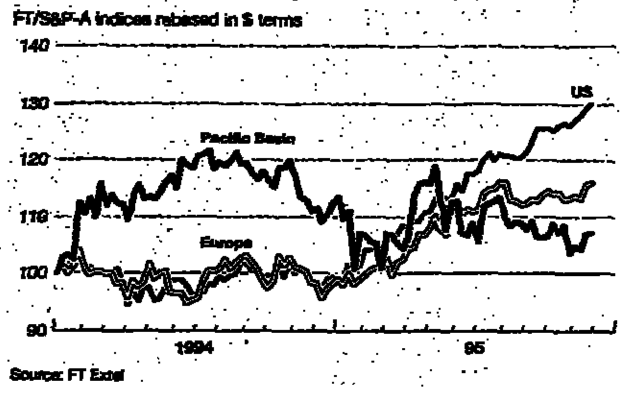
New swaps contracts can have clauses inserted to resolve the matter of the transition from national currencies to a single currency. For transactions written under the laws of member states, the matter can be resolved by European legislation. But many swaps contracts involve US institutions and are written under New York law.

Let us suppose that some of the losers in swaps contracts disagree with the fairness of the EU-mandated conversion process, and sue in New York to secure better terms. New York courts could, of course, choose to follow the EU guidelines for conversion. But if their past staunch defence of their privileges is any guide, they will claim the right to interpret and decide the contracts themselves.

The sums of money at stake are very large. This is a recipe for much confusion – and much litigation.

US leads the way

FT/S&P-A indices rebased in $ terms



Source: FT Extel

Total return in local currency to 15/12/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.08	0.10	0.20	0.13
Month	0.49	0.04	0.34	0.54	0.88	0.56
Year	7.19	2.69	5.63	6.25	9.94	7.38
Bonds 3-5 year						
Week	0.74	0.06	0.70	0.07	0.58	0.74
Month	1.38	1.15	1.91	1.82	1.78	2.90
Year	15.11	13.74	14.45	12.24	14.78	13.95
Bonds 7-10 year						
Week	1.27	0.43	1.21	0.39	1.30	1.01
Month	1.98	1.17	2.69	2.83	3.212	3.03
Year	21.79	17.95	16.47	15.24	15.70	15.55
Equities						
Week	1.1	2.6	2.3	-1.8	-2.2	1.6
Month	4.0	6.3	4.2	1.8	-3.5	4.4
Year	37.1	-1.1	8.6	-2.3	-7.4	22.8

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited Goldman Sachs & Co., and NatWest Securities Limited.

Economics Notebook

The poverty of geology

The hard-pressed Ogonis of Nigeria are not the first people to wonder whether the discovery of oil in their lands was a curse in disguise. Glancing around the global economy, it seems that for every resource-poor country that has grown rich, there is a resource-rich country that has grown steadily poorer. From the resource-impoverished East Asian countries, an economic miracle; from oil-rich Mexico, Venezuela, Nigeria and Russia, only wild lurches from one crisis to another.

One can go further back in time and find similar, equally counter-intuitive examples. But the fact that the negative correlation between natural and economic wealth is so well-established does not make it any less puzzling. After all, natural resources, especially fuel, ought to be a boon for domestic development, providing raw materials – and hard currency earnings – to fund faster domestic growth and investment.

Human nature being what it is, it might not be surprising that countries would tend to fritter away oil or mineral "windfalls" instead of investing in the future. But that winning the natural resources lottery should actively *hinder* development requires more of an explanation.

Harvard University's Jeffrey Sachs and Andrew Warner recently joined the long list of economists who have searched for an answer. Drawing on data for 97 developing countries, they confirmed that there was indeed a negative relationship between a country's dependence on natural resource exports in 1971 – captured by their share in GDP – and later growth performance.

The two found that, other things equal, a country with a 13 percentage point higher natural resource share at the beginning of the period grew about 1 per cent per year slower, on average, between 1970 and 1989 than a country with a zero ratio. More striking, perhaps, of the 18 resource-rich developing countries in their sample only two – Malaysia and Mauritius – achieved even 2 per cent per annum growth over the period.

Mr Sachs and Mr Warner have found that the negative relationship remains, even accounting for other factors usually judged important for growth. It also survives the exclusion of "outliers", such as Saudi Arabia, whose heavy (nearly 90 per cent of GDP) reliance on oil exports and poor growth performance might be expected to bias the results.

Many have argued that it is *not* the natural resource wealth itself that causes countries to get into trouble, but the side-effects for private and public behaviour. Russia, for instance, might suffer more from corruption than many other ex-communist countries, not because it is inherently lawless but simply because the country's phenomenal fuel and mineral wealth provides more to steal. Individuals have an incentive to spend time trying to appropriate oil and gas rents that is absent in, say, Ukraine or Poland.

Another destructive, indirect, effect of resource wealth could be protectionism. The reasoning here is that, as in the UK in the early 1980s, a windfall oil discovery or world oil price hike, will hurt manufacturing by diverting resources into the oil and non-traded sectors and pushing up the real exchange rate. Governments might respond by erecting trade barriers to protect domestic manufacturers which, in turn, end up reducing long-term growth.

Mr Sachs and Mr Warner found only limited evidence to suggest that natural wealth was inherently more corrupting than other forms of economic activity – although, clearly, "corruption" *is* a tricky variable to measure. But they did find a clear relationship between a country's trade policies and its reliance on natural resource exports. Unless the resource base was so large that it effectively ruled out the development of any other industries, the authors found that countries with higher natural resource export shares were more likely to employ counteracting trade policies, and, consequently enjoy slower growth in later years.

You might argue, then, that countries made up of law-abiding free traders need have nothing to fear from a natural resource windfall. But, weighing up the evidence, the two economists were forced to conclude that the bulk of the relationship between natural wealth and economic distress was more direct.

Their preferred explanation draws on recent theories of economic growth which stress the importance of human capital, and "learning by doing". Put simply, workers and companies may build up a valuable stock of knowledge working in manufacturing which raises the country's growth potential. If working in primary resources does not have the same positive knock-on effects, then the long-term costs of diverting resources away from manufacturing during an oil boom might well exceed the immediate gains.

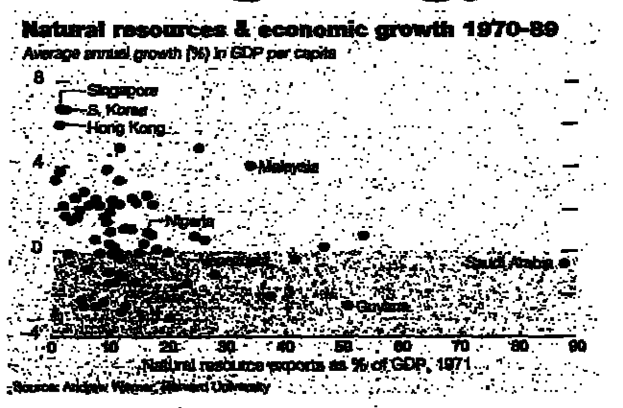
The results of the study partly vindicate those governments who have worried about the economic consequences of resource windfalls. Unfortunately, it is rather less encouraging about policy-makers' ability to guard against them. This is because most of the supposed "cures", like protectionism, are likely to end up being more costly for the economy than the disease itself. Small comfort for those countries now discovering that the free lunch provided by mother nature was nothing of the kind.

Natural Resource Abundance and Economic Growth, Harvard Institute for International Development, Oct 1995.

Stephanie Flanders

Natural resources & economic growth 1970-89

Average annual growth (%) in GDP per capita



Source: Andrew Warner, Harvard University

COMMODITIES — Richard Mooney

The backwardation buzz-word

"Backwardation" is the commodities markets' current buzz-word. It means the reversal of the normal "contango" situation, where forward prices carry premiums to spot prices to reflect the cost of carrying physical material – storage, insurance, lost interest and so on.

Cash premiums, instead of the normal discounts, are not that unusual in most markets, where supply tightness of seasonal crops and imbalances between supply and demand of metals can quite easily disrupt temporarily normal price relationships.

But until last week they were unheard of in the gold market, where the matching of central bank lending of gold to producers' hedging requirements had always succeeded in maintaining the desired balance.

Last week's aberration was short-lived, but cash/nearby discounts remain unusually tight and dealers will be watching closely this week for early warnings of further price shocks.

The copper market has got used to its backwardation, now more than $230 a tonne for cash against three months delivery, which reflects genuine fundamental supply tightness, analysts say. But they continue to watch for a quickening of deliveries into LME warehouse, perhaps from China, to redress the imbalance.

The coffee market, though weak of late, also continues to sport a backwardation, albeit smaller than it was before the expiry last week of the November delivery position. But that will not be a major concern to delegates meeting at the Colombian National Coffee Growers' Federation Congress in Bogota this week. They will be more concerned at the lack of decisive action to maintain the producers' export retention scheme at a meeting of the Association of Coffee Producing Countries in Bali last week.

● Other events this week include an international conference on gourmet coffees hosted by Peru's National Coffee Board in Lima.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 1 1995 US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	THURSDAY NOVEMBER 30 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	184.92	7.7	179.11	118.45	138.93	166.44	13.1	3.97	185.77	180.07	119.22	139.59	166.18	191.01	157.95	168.99
Austria (27)	172.69	-5.5	167.25	110.60	129.73	129.65	-11.9	1.60	169.05	163.86	108.49	127.02	126.95	199.28	167.48	177.12
Belgium (35)	199.89	18.7	193.61	128.04	150.18	146.57	10.9	3.57	197.96	191.89	127.05	148.75	144.95	201.12	164.78	167.71
Brazil (28)	141.55	-13.2	137.10	90.67	106.35	251.72	-1.1	1.87	141.15	136.82	90.58	106.08	251.00	180.75	86.06	172.74
Canada (101)	146.66	13.3	142.05	93.94	110.18	144.99	10.3	2.56	147.05	142.54	94.36	110.49	144.59	150.83	121.81	127.67
Denmark (33)	283.83	12.7	274.91	181.80	213.24	215.95	3.6	1.51	281.74	273.09	180.81	211.70	214.39	295.98	236.61	244.76
Finland (25)	221.09	18.9	214.14	141.61	166.10	199.37	7.8	1.81	220.99	214.21	141.83	166.05	199.18	276.11	171.13	180.93
France (100)	172.15	5.5	166.74	110.27	129.34	134.89	-1.5	3.25	173.13	167.81	111.11	130.09	135.23	191.17	157.79	168.20
Germany (59)	161.03	12.4	155.97	103.14	120.96	120.98	4.6	1.99	159.62	154.72	102.44	119.94	119.94	167.74	135.39	137.74
Hong Kong (55)	377.90	15.9	366.03	242.08	283.92	375.34	15.9	3.90	375.77	364.24	241.17	282.38	373.17	389.39	277.40	338.52
Ireland (16)	252.65	22.5	244.72	161.83	189.82	224.64	19.4	3.40	251.76	244.04	161.58	189.18	224.08	260.87	195.94	200.31
Italy (58)	68.11	-9.5	65.97	43.63	51.17	81.53	-10.6	1.79	67.88	65.80	43.56	51.00	81.08	82.71	65.45	74.91
Japan (483)	149.61	-4.7	144.91	95.83	112.40	95.83	-3.2	0.80	147.82	143.29	94.87	111.07	94.87	164.82	136.95	153.96
Malaysia (108)	475.01	-0.9	460.09	304.26	356.88	463.52	-1.7	1.78	461.24	447.09	296.02	346.56	460.49	561.96	398.16	488.09
Mexico (18)	1017.12	-26.2	985.15	651.46	764.15	9468.36	11.1	1.64	1021.98	990.59	655.87	767.89	8396.93	2123.04	647.81	2123.04
Netherland (19)	263.44	21.5	256.16	168.74	197.93	194.61	13.3	3.36	263.22	255.14	168.93	197.79	194.33	264.26	207.60	208.71
New Zealand (14)	78.67	11.7	76.20	50.39	59.10	64.35	10.1	4.51	79.06	76.64	50.74	59.41	64.29	85.49	69.56	72.74
Norway (33)	226.56	6.3	219.44	145.12	170.21	195.58	-0.1	2.14	225.82	218.89	144.93	169.68	195.17	249.79	198.73	199.96
Singapore (44)	379.91	1.8	367.97	243.34	285.43	247.64	-1.2	1.64	381.23	369.54	244.67	286.45	247.80	414.26	313.94	369.02
South Africa (45)	366.93	9.6	357.34	236.31	277.17	285.58	-1.4	4.04	368.35	357.04	236.40	276.77	295.23	376.66	261.08	323.01
Spain (36)	156.68	20.3	153.70	101.64	119.22	148.24	12.7	3.84	157.68	152.84	101.19	118.48	146.96	180.61	124.10	139.38
Sweden (47)	319.67	38.3	309.63	204.76	240.17	309.26	21.6	1.94	318.06	308.31	204.13	239.00	309.07	321.98	225.80	233.10
Switzerland (40)	227.15	37.5	220.01	145.50	170.66	165.44	23.4	1.61	228.31	219.36	145.24	170.05	164.67	230.31	158.38	159.35
Thailand (46)	156.95	-0.8	152.02	100.53	117.92	153.27	-0.6	2.65	152.34	147.87	97.77	114.47	148.76	184.55	130.15	159.87
United Kingdom (206)	226.42	16.2	219.30	145.03	170.11	219.30	18.8	3.99	225.36	218.44	144.83	169.34	218.44	226.33	167.07	183.48
USA (640)	248.27	32.2	240.46	159.02	186.52	248.27	32.2	2.25	247.89	240.28	159.08	186.28	247.89	248.97	182.33	183.74
Americas (787)	226.33	29.9	219.22	144.97	170.04	190.22	30.4	2.25	226.02	219.08	145.06	169.83	189.91	226.95	170.56	172.05
Europe (737)	196.02	16.0	189.86	125.55	147.27	167.97	11.5	3.03	195.27	189.28	125.32	146.73	167.28	199.02	163.04	167.42
Nordic (139)	284.90	26.9	275.94	182.48	214.04	240.00	14.0	1.84	283.60	274.90	182.01	213.10	239.27	295.02	215.79	222.14
Pacific Basin (632)	159.68	-2.8	164.66	102.28	119.97	106.08	-1.7	1.24	157.92	153.07	101.35	118.86	105.05	171.87	145.93	161.92
Euro-Pacific (1589)	174.72	5.2	169.23	111.91	131.26	129.60	3.7	2.08	173.39	168.06	111.27	130.28	128.58	178.38	154.73	164.12
North America (741)	241.89	31.4	234.38	155.00	181.80	241.35	31.3	2.26	241.65	234.23	155.09	181.57	240.97	242.70	178.86	180.26
Europe Ex. UK (531)	175.44	15.9	169.92	112.37	131.80	140.51	7.6	2.48	174.86	169.49	112.22	131.39	139.71	179.46	146.45	149.78
Pacific Ex. Japan (349)	256.53	7.7	248.47	164.31	192.73	226.47	8.6	3.27	254.81	246.99	163.53	191.47	224.47	268.72	211.19	240.62
World Ex. US (1761)	175.70	5.0	170.18	112.54	132.00	133.21	3.7	2.12	174.45	169.09	111.96	131.08	132.29	178.73	155.42	165.99
World Ex. UK (2195)	195.17	14.2	189.04	125.01	146.63	161.21	12.8	1.99	194.24	188.28	124.66	145.95	160.45	195.17	163.46	168.89
World Ex. Japan (1918)	225.07	22.6	217.99	144.16	169.09	211.31	20.9	2.61	224.49	217.60	144.08	168.68	210.68	225.35	178.95	181.79
The World Index (2401)	197.91	14.4	191.69	126.77	146.69	166.29	13.3	2.18	196.97	190.92	126.41	148.00	165.52	197.91	165.92	170.88

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 184.07 (Pound Sterling) and 149.94 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 1/12/95: Additions: Canadian National Railway (Canada), (Medium-Small Cap Index) and ENI (15 per cent weighting) (Large Cap Index) (Italy). Deletions: Swiss Reinsurance (Bearer) (Switzerland), CBS (USA) and Shawmut National Corp (USA). CONSTITUENT CHANGES WITH EFFECT 4/12/95: Addition: First Chicago NBD Corp (Large Cap Index) (USA). Deletions: First Chicago Corp (USA) and NBD Bancorp Inc (USA).

EMERGING MARKETS: This Week

Emerging Markets / **Vincent Boland in Prague**

Skirmish hits Achilles Heel

When investors on the Prague stock exchange look back at the events of the past few weeks they may conclude that November was the month in which the market finally came of age.

The Czech Republic achieved two notable milestones – an agreement on joining the Organisation for Economic Co-operation and Development, and an A rating from Standard & Poor's.

It was also the month that the close-knit and fairly rigid Czech corporate world saw an activity that many had predicted but few thought would materialise so soon – hostile takeovers. Czechs are used to being top of the class; they dislike upstarts who start correcting their homework.

The takeover activity came somewhat out of the blue. On October 23 Stratton, a US investment company, unveiled a deal with the Prague-based Harvard fund management group to take stakes in seven leading companies as a friendly but active shareholder.

The Magnificent Seven are paper groups Sepap and Biocel; chemical group Spolana; glass holding company Sklo Union; heating utility Prazska Teplarenska; oil company Moravske Naftove Doly; and shipping group Ceska Namorni Plavba (Czech Ocean Shipping).

In addition Stratton acquired a non-equity interest in Harvard's 31 per cent stake in Plzensky Prazdroj, a brewery.

Stratton originally said the stakes cost $140m (£88.6m) but one of its senior executives acknowledged last week that the final price was "closer to $200m."

The two shareholders have agreed to vote their shares jointly. Stratton, which describes itself as a medium-term investor, says it will introduce marketing and financial expertise to the companies. It may sell on to strategic investors or float the stakes when it has achieved its aims.

Stratton's entry into Sepap sparked an immediate takeover battle with AssiDomän, the Swedish forest products group that owns 36 per cent of the company. At a shareholder meeting on November 21 Stratton, which controls 51 per cent, outwitted the Swedes by removing Sepap's board and installing its own team.

While Stratton and AssiDomän were trying to win the hearts and minds of other Sepap investors, the market was diverted to another battlefront. An obscure financial company called Motoinvest launched a hostile takeover of some of the big investment funds which, like Harvard, underwrote the government's coupons-for-shares privatisation programme.

In a series of stock market raids Motoinvest and a bank acting with it bought blocks of shares in six funds run by some of the established Czech fund managers, vowing to fire the incumbents and run the funds itself.

Few in the market knew what Motoinvest was or who was running it, and the company remains tight-lipped about its ownership structure and intentions. Those who claimed to know did not like what they saw, and an outbreak of fear and loathing ensued among fund managers.

The big funds are run by Czech banks, which were humbled when, to protect their interests, they bought back Motoinvest's stakes at inflated prices, enabling the raider to pocket substantial profits. An uneasy truce now prevails.

In accumulating their stakes Stratton and Motoinvest took full advantage of the Prague bourse's Achilles heel – its lack of transparency. There is currently no obligation on an investor to reveal the size of its stake in a company and no real pressure to report trades.

Czech fund managers were never in the vanguard of moves to reform share trading. They have tended to dismiss the interests of minority shareholders, preferring the advantages of secrecy. But Motoinvest's attack revealed the vulnerability of their funds to hostile takeover, especially when these trade at big discounts to net asset value.

Motoinvest has helped close that gap and, analysts say, could persuade fund managers to be more active in generating better returns to the millions of Czech citizens who own the funds. A period of portfolio consolidation is now predicted.

"This is what every investor has been waiting for," says Mr Peter Mayer of CS First Boston. It is also a logical next step after mass privatisation, in which companies were sold off before being restructured. The government's philosophy was that the market would do the restructuring, of which a consolidation of industry through mergers and acquisitions will be a key part.

This will increase the pressure for change at the PSE, the classic insider's market. Mr Ales Barabas, director of capital markets at Zivnostenska Banka, says the lack of transparency is a handicap to the bourse's smooth evolution. "From this point of view we are less developed than Poland, but we have more potential," he says. To exploit the potential will require the PSE to become a credible market.

Mr Tomas Jezek, the leading advocate of reform, has drafted rules that include disclosure of stakes over 10 per cent and other measures to introduce transparency. "These measures are necessary for the credibility and transparency of the capital market," says Mr Jezek, who is expected to become PSE chairman early next year. His proposals are due to be put to parliament before the end of the year.

News in Brief

■ IFC is changing the weighting of its investable index from January 2 1996 in order to adjust for cross-holdings.

South Africa will be the most affected, and will see its weight reduced from 25 per cent to 18 per cent. By contrast Chile's weighting will rise from under 2 per cent to 6 per cent following the relaxation of foreign investment regulations which had put a limit of 25 per cent on foreign holdings of a company.

■ Qatar might have a functioning stock market sometime next year, according to local media reports. It was understood that laws were being drafted for a market to replace an unofficial bourse which traded banking and insurance issues.

■ Vietnam has been pledged $2.3bn (£1.45bn) in aid and praised for its economic performance.

A meeting in Paris last Friday hosted by the World Bank said there had been notable improvements, but the country needed to move more aggressively to reform state-owned companies.

Foreign & Colonial commented last week that there was still no stock market and the official excuse was that few companies would qualify for listing. "However, the development of an equity market will be an important step forward in the reform process," said F & C.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

Bombay officials discuss Reliance delisting plan

By Shiraz Sidhva in New Delhi

The governing board of the Bombay Stock Exchange meets today to discuss a request from Reliance Industries last week to delist its shares from India's biggest bourse, following a dispute over the issue of duplicate shares.

A senior member of the board said the BSE had sought a legal opinion on the matter, as there was no precedent to Reliance's request to delist its shares.

"We are not sure that the decision to delist securities of a company lies within our purview," the official said yesterday. "We will have to refer the matter to the Ministry of Finance if we are not able to resolve it directly with the company."

Insiders at the BSE say there was "likely to be a compromise" between the exchange and Reliance, which accounts for about 40 per cent of the BSE's daily aggregate turnover.

"Both sides have proved their point, and now it is important that we find a solution, keeping in mind the larger interests of the investing community," another member of the board said.

Reliance has accused the BSE of exceeding its regulatory powers by ordering the suspension of trading in its shares for three days earlier this month, following a dispute on the issue of duplicate shares.

A circular issued in 1979 by the Finance Ministry's Department of Economic Affairs, which governs the country's stock exchanges, spelt out three criteria for delisting securities from stock exchanges.

These were that a company should have incurred losses for three consecutive years with its net worth being less than its paid-up capital; securities of a company had been too infrequently traded during the preceding three years; and that securities of the company remained listed at least on the regional stock exchange.

Trading at the BSE and the National Stock Exchange (NSE) focused on Reliance Industries last week after the textiles and petrochemicals conglomerate said it would delist its shares from the BSE and move to the NSE, a smaller and newer exchange.

Although some brokers have said the row between Reliance and BSE had been "blown out of proportion", others have urged the board to find a compromise.

According to one estimate by a group of brokers, the average daily turnover of Reliance group scrips over the last six months has been Rs387.8m. With an average brokerage fee of 1.5 per cent, the daily income for brokers from Reliance is Rs5.7m, or Rs114m per month.

Though panic-selling resulted in a sharp recovery on the BSE last week, with the index improving by 72.11 points and 43.70 points on Thursday and Friday to close at 3037.99 points, the main beneficiary of the Reliance-BSE spat is the NSE.

The smaller exchange, started in November 1994, operates simultaneously in 20 Indian cities, through a single market, where buyers and sellers can trade at a given price, instead of only in a particular region where the stock exchange is based.

"The response time on the NSE is two seconds, since we give our traders access to satellite links," said Mr Ramchandra Patil, head of the NSE.

But brokers say that though the NSE offers guaranteed trading, thereby protecting investors from exposure to individual brokers, it will be a while before investors move to the NSE.

"While the NSE may be a more efficient exchange, it will be a while before it catches the investors' fancy," one broker said. "The new highs recorded last week were only because of speculative trading of Reliance shares."

Total volumes traded on the NSE on Friday exceeded Rs4bn, breaking a previous record high of Rs3.42bn.

Reliance accounted for more than Rs3.1bn of total volume.

CURRENCY MARKETS — Philip Gawith

Growth focus for markets

Figures, rather than events, will be the focus of market attention this week as traders and investors seek further confirmation that a global growth slowdown is underway.

If there is an exception to this, it is likely to come in France where a wave of public sector strikes have again made the franc vulnerable. If the government is seen to give in to protesters and back down from its plans for fiscal austerity, this could prompt heavy selling.

As ever, the release on Friday of the US payroll report will be watched closely.

The dollar's rally last week was at least in part inspired by foreign investors buying US treasuries, based on the assumption that the Federal Reserve's open market committee may well cut interest rates when it meets later this month.

Further evidence of the economy slowing could well provide a further boost to US bonds as well as to the dollar.

The other key piece of evidence will be the Fed's Beige book, which will give an early indication of its view of business conditions.

Lurking in the background will be the US budget negotiations.

These may well drag on until Christmas Eve, if not beyond, and there is a respectable argument that the Fed will not cut rates before a deal is struck.

Any sustained dollar rally is also unlikely in the absence of a budget deal.

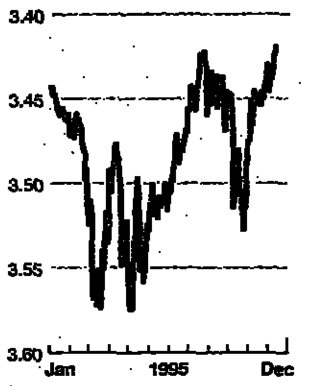
The provisional third quarter German GDP figure will also be important for the market.

There is increasing speculation that the Bundesbank will soon ease monetary policy, which would probably help the dollar and other non-core European currencies.

The firm tone of the dollar last week helped insulate sterling from some of the pessimism which accompanied the Budget. This may return if economic data confirm suspicions of a slowing economy, or the shield of a firmer dollar is removed.

French franc

Against the D-Mark (FFr per DM)



Source: FT Extel

Baring Securities emerging markets indices

Index	1/12/95	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (301)	143.16	+4.10	+2.95	+2.85	+2.03	-14.88	-9.41
Latin America							
Argentina (20)	84.97	+2.00	+2.41	+10.54	+14.16	-1.14	-1.32
Brazil (21)	188.38	+9.06	+5.05	+8.32	+4.62	-20.99	-10.02
Chile (12)	180.62	+0.40	+0.22	-8.59	-4.54	-30.95	-14.63
Mexico (25)	72.15	+4.43	+6.54	+7.82	+12.15	-25.47	-26.09
Peru(17)	986.35	+36.06	+3.80	+32.16	+3.37	+137.68	+16.22
Latin America (95)	119.59	+4.92	+4.29	+7.10	+6.31	-19.18	-13.82
Europe							
Greece (16)	95.95	+0.74	+0.78	-4.40	-4.04	+8.96	+10.30
Portugal (18)	113.88	-0.84	-0.73	-4.39	-3.71	-2.40	-2.06
Turkey (21)	145.75	-0.99	-0.68	+3.42	+2.40	+17.80	+13.91
Europe (55)	116.90	-1.03	-0.87	+0.18	+0.16	+19.20	+19.66
Asia							
Indonesia (26)	138.68	+8.09	+6.20	-4.07	-2.85	+5.00	+3.74
Korea (23)	142.76	-2.43	-1.67	-11.99	-7.75	+2.87	+2.05
Malaysia (23)	223.31	+12.10	+5.73	+8.70	+4.05	+12.45	+5.90
Pakistan (11)	65.20	-0.86	-1.30	-10.87	-14.29	-41.00	-38.61
Phillippines (11)	243.19	+11.77	+5.09	-0.45	-0.18	-38.94	-13.80
Thailand (25)	241.05	+0.77	+0.32	-6.25	-2.53	-10.59	-4.21
Taiwan (32)	121.57	+5.80	+5.01	-2.32	-1.87	-62.58	-33.98
Asia (151)	197.53	+6.47	+3.39	-2.26	-1.13	-13.09	-6.22

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

ATHENS STOCK EXCHANGE 24 Nov -01 Dec '95 — GREECE

ASE INDEX	901.92	P/E 95e (after tax)	12.5	GDP (USD bn) 95e	106.50
%Chg (Prev. Wk)	3.14	P/E 94 (after tax)	16.3	Per Capita Income (USD)	9,810
Yearly High	996.75	EPS GROWTH (%) 95e	22.6	Inflation Rate (% Y.O.Y, October 95)	8.30
Yearly Low	782.22	P/CE 95e/94	7.8 / 10.1	12 month T-bill (%, end of November issue)	13.90
WEEKLY VOLUME (USD m)	186.44	P/BV 95e/94	2.9 / 3.3	1-month Athibor (%)	16.18
%Chg (Prev. Wk)	-10.74	Div Yield (%) 95e/94	5.1 / 4.4	GRD-US$	237.98
1 Y Wk Avg. (USD m)	100.10			A.S.E. Market Capitalisation - 1/12/95 (USD bn)	16.55
				IPOs & Rights Issues (USD m Jan'95-1 Dec '95)	304.55

Crédit Local de France

USD 150,000,000

Collared Floating Rate Notes due 2002

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from December 04, 1995 to June 03, 1996 the Notes will carry an Interest Rate of 5.4375 % per annum.

The Coupon Amount payable on the relevant Interest Payment Date, June 03, 1996 will be USD 27.49 per USD 1,000 principal amount of Note, USD 274.90 per USD 10,000 principal amount of Note and USD 2,748.96 per USD 100,000 principal amount of Note

The Agent Bank
Kredietbank Luxembourg

BRADFORD & BINGLEY

£100,000,000
Floating rate notes 1996

Notice is hereby given that the notes will bear interest at 6.73594% per annum from 30 November 1995 to 29 February 1996. Interest payable on 29 February 1996 will amount to £167.48 per £10,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

The Mortgage Bank and Financial Administration Agency of the Kingdom of Denmark
(Kongeriget Danmarks Hypotekbank og Finansforvaltning)

U.S. $100,000,000

Guaranteed Floating Rate Notes due 2005 unconditionally and irrevocably guaranteed by

The Kingdom of Denmark

For the six month Interest Period 1st December, 1995 to 3rd June, 1996 the Notes will carry a Rate of Interest of 5.39531 per cent. per annum, with Coupon Amounts of U.S. $138.63 and U.S. $2,772.59 per U.S. $5,000 and U.S. $100,000 Notes respectively. The relevant Interest Payment Date will be 3rd June, 1996.

Bankers Trust Company, London — **Agent Bank**

SmithKline Beecham PLC
Floating Rate Unsecured Loan Stock 1990/2010

Interest Rate: 6.375% per annum
Interest Period: 1st December 1995 to 1st March 1996

Midland Bank plc
Agent Bank

Britannia

£25,000,000
Floating rate notes
due May 2000

For the period 30 November 1995 to 28 February 1996 the notes will bear interest at 6.68594% per annum. Interest payable on the relevant interest payment date 28 February 1996 will amount to £1,644.08 per £100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

BRADFORD & BINGLEY

£15,000,000 Series 17
Floating rate notes
due May 2000

Notice is hereby given that the notes will bear interest at 6.65094% per annum from 30 November 1995 too 28 February 1996. Interest payable on 28 February 1996 will amount to £1,635.48 per £100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

WOOLWICH
- Building Society -

£40,000,000 Series 47
Floating rate notes
due May 2000

Notice is hereby given that the notes will bear interest at 6.64594% per annum from 30 November 1995 to 28 February 1996. Interest payable on 28 February 1996 will amount to £1,634.25 per £100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 1, 1995 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	6799.82	4442.00	3073.84	4363.70
Albania	(Lek)	144.201	94.2000	65.1858	92.9636
Algeria	(Dinar)	79.1929	51.7330	35.7989	51.0540
Andorra	(French Fr)	7.6461	4.9950	3.4565	4.9294
[illegible]					
Finland	(Markka)	6.5773	4.2966	2.9734	4.2404
France	(Fr)	7.6461	4.9950	3.4565	4.9294
Fr. Cty/Africa	(CFA Fr)	764.610	499.500	345.651	492.944
Fr. Guiana	(Local Fr)	7.6461	4.9950	3.4565	4.9294
Fr. Pacific Is	(CFP Fr)	139.484	91.1181	63.0532	89.9221
Gabon	(CFA Fr)	764.610	499.500	345.651	492.944
Gambia	(Dalasi)	15.0784	9.8500	6.8161	9.7207
Germany	(D-Mark)	2.2120	1.4451	1	1.4261
Ghana	(Cedi)	2166.06	1415.00	979.171	1396.43
Gibraltar	(Gib £)	1	0.6533	0.4520	0.6447
Greece	(Drachma)	363.997	237.790	164.549	234.669
Greenland	(Danish Krone)	8.5631	5.5940	3.8710	5.5206
Grenada	(E Carr $)	4.1332	2.7000	1.8684	2.6646
Guadaloupe	(Local Fr)	7.6461	4.9950	3.4565	4.9294
[illegible]	(US $)	1.5308	1	0.6920	0.9869
[illegible]					
Nepal	(Nepalese Rupee)	83.0459	54.2500	37.5407	53.5380
Netherlands	(Guilder)	2.4776	1.6185	1.1200	1.5973
N'nd Antilles	(A/Guilder)	2.7401	1.7900	1.2387	1.7665
New Zealand	(NZ $)	2.3581	1.5404	1.0659	1.5201
Nicaragua	(Gold Cordoba)	12.0762	7.8888	5.4590	7.7853
Niger Rep	(CFA Fr)	764.610	499.500	345.651	492.944
Nigeria	(Naira)	33.6776o	22.0000	15.2239	21.7113
	(Naira)	137.768m	90.0000	62.2794	88.8187
Norway	(Nor. Krone)	9.7356	6.3600	4.4011	6.2765
Oman	(Rial Omani)	0.5894	0.3850	0.2664	0.3799
Pakistan	(Pak. Rupee)	52.3759	34.2158	23.6771	33.7667
Panama	(Balboa)	1.5308	1	0.6920	0.9869
Papua New Guinea	(Kina)	2.0186	1.3187	0.9125	1.3014
Paraguay	(Guarani)	3004.20	1962.50	1358.04	1938.74
Peru	(New Sol)	3.5812	2.3395	1.6189	2.3088
[illegible]					
Vietnam	(Dong)	16854.1	11010.0	7618.85	10865.5
Virgin Is-British	(US $)	1.5308	1	0.6920	0.9869
Virgin Is-US	(US $)	1.5308	1	0.6920	0.9869
Western Samoa	(Tala)	3.8647	2.5246	1.7470	2.4915
Yemen (Rep of)	(Rial)	76.5400o	50.0000	34.5997	49.3437
Yemen (Rep of)	(Rial)	214.312r	140.000	96.8791	138.162
Yugoslavia	(New Dinar)	6.9629(2)	4.5485	3.1475	4.4886
Zaire Rep	(Zaire)	16263.2	10624.0	7351.74	10484.8
Zambia	(Kwacha)	1444.62	943.705	653.038	931.319
Zimbabwe	($)	14.2189	9.2885	6.4276	9.1666

Special Drawing Rights November 30, 1995 Utd Kingdom £0.968491 Utd States $1.48615 Germany DM2.13515 Japan Y150.919 European Currency Unit Rates December 1 , 1995 Utd Kingdom £0.847782 Utd States $1.29998 Germany DM1.87719 Japan Y131.540

Abbreviations: (o) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Venezuelan market rate derived from Brady bond trading (2) Yugoslavian Dinar devalued on 28/11/95; Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.
Xmas & New Year publication dates. Dec 22nd rates will appear on Sat 23rd & Weds 27th Dec, Dec 29th rates will appear on Sat Dec 30th & Tues Jan 2nd.
To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times
Friday, December 1, 1995

Notice of Interest Rate
To the Holders of

The United Mexican States
Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from December 1, 1995 to June 3, 1996 are detailed below.

Series Designation	Rate	Interest Amount	Interest Payment Date
USD Discount Series D	6.54688 Pct. P.A.	USD 33.64 Per USD 1,000	June 3, 1996
FFP Discount Series	6.26 Pct. P.A.	FFF 160.59 Per FFF 5,000	June 3, 1996

December 1, 1995 — CITIBANK, N.A., Agent

£65,900,000
CARPS III Limited
Secured Amortising Floating Rate Notes due 1999

For the three month interest period November 30, 1995 to February 29, 1996, the rate has been determined at 6.79375%. The interest payable on the relevant interest payment date, February 29, 1996 will be £897.83 per £53,007.24 principal amount of Notes.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
December 4, 1995 — CHASE

To the holders of
Mortgage Capital Trust I
Collateralized Mortgage Obligations, Series A
Class A-1 Bonds Due 1st June, 2017

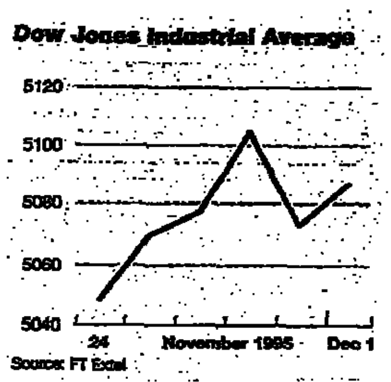
Notice is hereby given that the interest rate on the Class A-1 Bonds for the interest period 1st December, 1995 through 1st March, 1996 is 6.475% per annum.

By: Bankers Trust Company, as Trustee.

EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Investors look for signs of a slowdown



Investors will be watching this week to see if the stock market will be able to hold on to November's torrid pace, especially in the face of weaker economic data.

At the end of last week, the market was caught in cross-currents generated by weaker than expected data on manufacturing activity. Such data is troubling as it suggests that profits may be weak, *but they* may propel the Federal Reserve to lower interest rates – which is good for the market.

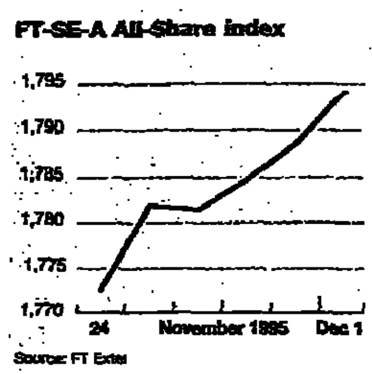
Bonds rallied across the maturity spectrum last week amid speculation that the Fed may ease even before the president and Congress agree a deficit-cutting budget package. But rising bonds did not take stocks along for the ride.

Views on monetary policy *will* be influenced by Friday's figures on November employment. Donaldson, Lufkin & Jenrette expects that 200,000 non-farm jobs were added to the economy last month after October's 116,000 gain. If employment growth is substantially stronger than Wall Street *estimates, it could upset investors* banking on looser monetary policy in the near term.

Also important this week will be Wednesday's release of the Beige Book – the Fed publication prepared in advance of its December 19 Open Market Committee meeting. It will be scoured for hints of how monetary policy makers view the economy.

LONDON — Philip Coggan

Hopes pinned on cut in interest rates



A series of all-time highs for the FT-SE 100 index means that the London equity market should start the week in buoyant mood.

Last week's Budget was a bit of a disappointment but investors decided the government would rely on interest rate cuts to stimulate the economy – and please the electorate. Hopes are pinned on the meeting between Mr Kenneth Clarke, the chancellor and Mr Eddie George, governor of the Bank of England, on December 13.

Recent indicators have pointed to a slowing economy, enhancing the case for a rate cut, and investors will be looking closely at Wednesday's data on manufacturing output and industrial production, which are expected to show only modest month on month rises.

The corollary, of course, of a slowing economy is slower corporate earnings growth. There have been a number of profits warnings in recent weeks which have dented the performance of individual stocks, if not the overall market's seemingly relentless rise. This week, results from companies such as *Bass, Carlton, Racal and Scottish &* Newcastle will be watched closely for indications of the health of the corporate sector.

None is likely to match the performance of British Biotech last week, where the shares almost doubled in 24 hours; it will be interesting to see whether the enthusiasm for the stock, and other biotech issues, continues.

OTHER MARKETS

FRANKFURT

The investment analysts' *association, DVFA, holds* its German mid-cap 1995 conference in the city this week. *Seventeen companies* will come under scrutiny: a selection includes Leifheit, in household goods, and Spar, in food retailing on Wednesday; Kolbenschmidt, car components, Jungheinrich, fork lifts, SKW, speciality chemicals, and SGL, carbon products, on Thursday; and Plettac, scaffolding, and Grohe, bathroom taps, on Friday.

Small and medium-sized German companies have underperformed their DAX 30 counterparts substantially in recent *months. Among* the latest sufferers, Wella, the hair and other personal products group, had substantial ground to lose: earlier this year it was shoe-horned into the growth stocks category the German bourse so badly needed, to maintain overseas investors' interest at the time.

However, Mr Hans-Peter Wodniok, head of German equity research at Credit Lyonnais in Frankfurt, thinks most of the disasters have been shaken out; this week, he will *be looking for signs of* value in depressed territory.

MADRID

Spanish equities are likely to have a quiet week, due to the Constitution Day holiday on Wednesday, and Friday's local holiday in Madrid. However, *FG, the stockbroker, is making* the best of this by bringing its year-end seminar to London on Thursday.

The rise, fall, and recent recovery in the Madrid general index has come against a backdrop of political scandals and uncertainty, with currency worries and high interest rates, and equity investors will be asking whether the compensations – economic recovery, and gradually falling inflation – will still be in prospect.

AMSTERDAM

Dutch equities reached another record high last week, lifted by a rise in both financials and in cyclicals. However, said UBS on Friday, although bond yields had reached a low of 6.20 per cent, and in spite of the expectation that there would be further rate cuts, the Swiss bank did not expect yields to fall much further.

Meanwhile, Nedlloyd, the transport and shipping group, tumbled after poor results and an even worse forecast for the year; and a US takeover by the publisher, Wolters Kluwer, was considered to be vastly overpriced.

"Next week's Amev results," said UBS, "are expected to be the major event in an *increasingly nervous market.*"

The Belgian-Dutch financial services group, Fortis-Amev in the Netherlands, posted a 14 per cent increase in first-half net profits in September; it said that the "excellent" results were based not only on a 60 per cent rise in income from banking, but also on life and non-life insurance activities.

Days before, the group had *said it planned* to cut up to 1,000 of its 9,500 jobs in the Netherlands by 1999, because *of an efficiency drive* and reorganisations.

In the past three months the shares have risen by about 20 per cent, substantially outperforming the Dutch market; UBS forecasts a 19 per cent rise in third-quarter profits to Fl 197.5m.

PARIS

Following the 5 per cent rise in the CAC-40 index in the wake of the French president, Mr Jacques Chirac's conversion to austerity, the *short*-term trend depends entirely on the government's success in controlling the present industrial disputes without any significant dilution of the promised reforms, says UBS.

Unless further interest rate cuts can be engineered and *confidence restored, says the* broker, domestic consumer stocks should underperform and further profit-taking is likely.

HONG KONG

Brokers are looking for the Christmas rally in Hong Kong to continue, albeit with a degree of profit-taking as investors sell into the sharp rises, *writes Louise Lucas.*

The market performed strongly last week and *turnover* has been rising, suggesting to dealers that overseas money is returning.

However, says Mr Howard Gorges, managing director of South China Brokerage, it is not all blue skies. The market is unlikely to repeat last week's straight line-climb, and profit takers may trim prices today. It has already been shown there is strong resistance at the 9,800–10,000 level and this may not be pierced until the Lunar New Year rally in mid-February.

"The market *has built* up a good head of steam and property sales have been good. So long as there are no shocks the market is probably going to push through into a Lunar New Year type rally; but we have to watch that it does not go too fast because there is bound *to be a lot of selling* at times, especially when the outlook for corporate earnings growth next year is pretty modest," he says.

TOKYO

The recent rally in large capitalisation steel and shipbuilder shares seems to indicate that low interest rates are finally filtering through to the stock market, *writes Emiko Terazono*.

"As the Bank of Japan *remains* committed to keeping its foot on the liquidity/easy money accelerator in its efforts to prop up teetering financial institutions, their actions to help support the banks indirectly also help support the stock market through increasing liquidity," says Lehman Brothers in Tokyo.

With a solution to the *jusen* housing loan problem not expected until the end of the year, large capitalisation stocks may continue to benefit from easy monetary policy.

Compiled by William Cochrane

International offerings

Pechiney a test for French privatisation programme

If the privatisation of Pechiney *goes ahead* this week with no reduction in its size or price, it will all be down to its chairman, Mr Jean-Pierre Rodier.

The sale of shares in the French aluminium and packaging group is a test of the French government's ability to press ahead with its privatisation programme in the face of unfavourable market conditions and dwindling interest in state-owned industrial assets.

Based on an *indicative* price range of FFr187 to FFr215 a share, the government stands to raise between FFr5bn and FFr6bn from its 56 per cent stake in Pechiney. A capital increase of FFr3.5bn to FFr4bn will accompany the sale.

Many observers regard the Pechiney sale as the government's *toughest operation* in a series of privatisations which has seen Usinor Sacilor, the steel maker, and Seita, the tobacco group, dispatched from the public sector this year.

"There are many complexities with this issue," says director of sales at one French merchant bank. "Investors have been wary."

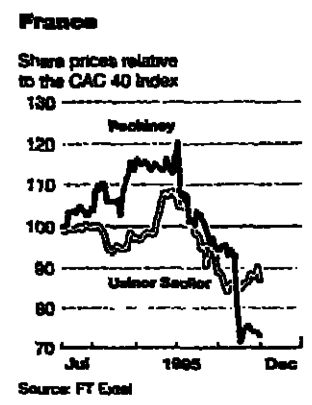
Presenting Pechiney's sale in a favourable light could not have been an easy task for Mr Rodier. The privatisation comes soon after the company's brushes with the French financial market regulator on accounting matters and coincides with a downturn in aluminium prices, which highlights the cyclical nature of one of its two core businesses.

Another disincentive is the weak performance of the Paris bourse which has struggled to stay at the level seen at the beginning of the year. A recent rally has been halted by concerns about a wave of public-sector strikes.

Meanwhile, foreign and domestic investors have become increasingly reluctant to take part in French privatisations because of the lacklustre stock market performance of other privatised companies.

All but two of the last eight privatisations or partial privatisations have suffered a fall in their share price, many severe.

Usinor Sacilor, for example, is trading at about FFr75, compared with its issue price of FFr86 in the summer.



Ever since the announcement in mid-November that the government would press *ahead with the sale of its stake* in Pechiney, bankers have been predicting that the shares will have to be priced well below the indicated range.

They also fear that the offering will have to be scaled back or withdrawn altogether because of the cautious response by international institutions, *particularly those* in the US, to other privatisation issues in recent months.

By all accounts, however, Mr Rodier may have pulled off what many thought was virtually impossible.

"He deserves an Oscar for his performance during the roadshows," said one banker. He added that the Frenchman had been equally impressive during one-to-one meetings with investors, during which he concentrated on plans to increase productivity.

Mr Rodier's achievements since taking over as chairman last year have been applauded by industry analysts.

A sweeping restructuring programme, including the sale of more than FFr10bn of non-core assets, has returned the group to the black and provided a strategy which was previously lacking.

"Rodier has moved quickly in getting the company into shape and in cutting the debt burden," says Mr Bruno Fine, an analyst at Banque du Louvre in Paris.

Although institutional demand for the offering has *been* described as "patchy", bankers involved in the transaction said last week that momentum had been building in the US in the wake of Mr Rodier's visits, the final leg of the roadshow.

The banks in charge of the deal – BNP, Société Générale and Goldman Sachs – have also been encouraged by the level of interest from French retail investors which they *believe will turn into a success*ful domestic retail offering.

Indeed, if all the revocable reservations for shares made by individual investors turn into firm orders, the syndicate expects the retail tranche to claw back a maximum of 13 per cent from the institutional offering.

Bankers involved in the offering maintained last week that there were no plans to cut back its size or price the shares below the indicative range. Pricing, originally scheduled for last Thursday, should now take place tonight. The retail offering is set to start tomorrow and the institutional book should close on Wednesday.

Looking ahead to next year's pipeline, bankers expect a rush of *initial public offerings* from European "high-tech" companies as the fever catches on from the US, where 250 such issues have raised about $67bn this year.

Demand for the $96m offering in BESI, a Dutch manufacturer of capital equipment for the semi-conductor industry, has been so strong that Morgan Stanley has closed the books early.

Pricing is expected today but the massive oversubscription means many investors will be disappointed with their small allocations.

● *Amalgamated Banks of* South Africa, the country's largest banking group, is set to launch a convertible bond offering early next year. The transaction, via Barings and UBS, is likely to raise between $150m and $200m.

John Ridding and Antonia Sharpe

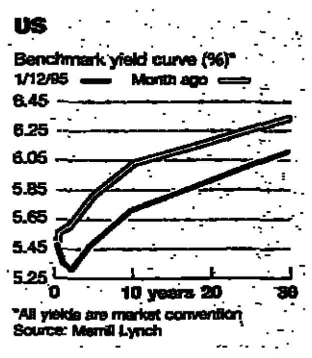
WORLD BOND MARKETS: This Week

NEW YORK — Richard Tomkins

US Treasuries turned in an extraordinary performance last week as economic data continued to indicate weakening economic activity and President Clinton and Congress moved closer to a budget deal. By the end of the week the 30-year bond was yielding 6.07 per cent, its lowest since November 1993.

The big question this week is whether the yield on the long bond will fall still further, dipping below the psychologically significant 6 per cent level. Against a background of slowing economic activity, falling inflation and the prospect of an early cut in interest rates, analysts consider it likely that it will.

Indeed, Wall Street securities house Donaldson, Lufkin & Jenrette predicts that further weakening of the US economy matched by aggressive lowering of interest rates will bring yields down to 5 per cent by the end of next year or early 1997.



*All yields are market convention
Source: Merrill Lynch

Economic data will be thin on the ground this week, but one focus of attention will be the publication of the employment report for November on Friday. Donaldson, Lufkin & Jenrette predicts that employment will have risen by 200,000 compared with an average of 138,000 for the preceding months this year: but if that sounds high, DLJ notes that the latest period comprises five weeks instead of the usual four.

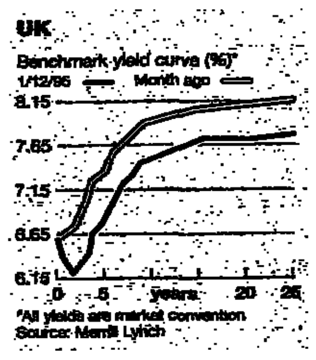
LONDON — Richard Lapper

The gilts market's immediate negative reaction to the Budget gave way to a more optimistic outlook by the end of last week, with prices rising on hopes of interest rate cuts.

On Friday, the short end of the yield curve continued its recent strong run, with yields on benchmark three-year paper falling by a further 3 basis points. March short sterling closed at 93.86, discounting a 50 basis point cut in interest rates by the end of the first quarter.

In the cash market, gilts lagged behind the strongly performing US and German markets, with the 10-year yield spread over Germany widening by three basis points to 157 points but the December long gilt contract closing near its contract highs at 110⅛.

This week, the primary focus will be on Wednesday's auction of £3bn of 7¼ per cent paper due 2006. The market's fears about funding have been reawakened by the PSBR forecasts contained in the Budget.



*All yields are market convention
Source: Merrill Lynch

Even so, strength in the US and German markets and solid cash inflows point to a continuation of the rally.

"The auction is unlikely to be a problem in this environment," says Mr Andrew Roberts, gilts analyst at UBS. "The Budget has turned into a non-event for gilts."

The week's data will focus on figures for M0 growth, house price data and industrial production. A CBI distributive survey is also due.

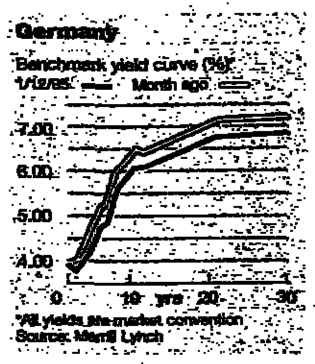
FRANKFURT — Andrew Fisher

Again, the impatient hopes of those looking for an early cut in Germany's official short-term interest rates were dashed last week.

The Bundesbank held firm, as several of its own directors had indicated it would, and left the way open for a later cut. Most economists still expect this by early next year, maybe even at the next council meeting on December 14, at which the money supply target for 1996 will also be set.

With inflation at an annual rate of 1.5 per cent and economic growth flagging, the necessary conditions for further reductions in the discount and Lombard rates (last lowered in August to 3.50 and 5.50 per cent respectively) are there in abundance.

Gross domestic product figures for the third quarter due on Thursday are expected to confirm that the economy is in a sluggish phase. Business confidence has also weakened, according to the Ifo economic research institute.



*All yields are market convention
Source: Merrill Lynch

The German bond market was firmer after the Bundesbank left its rates unchanged, but some dealers wondered whether the increased levels could be maintained in the face of profit-taking.

The bond market's tone generally remained bullish, although possible weakness in US Treasury bonds was seen as a possible downward influence on the German market.

TOKYO — Emiko Terazono

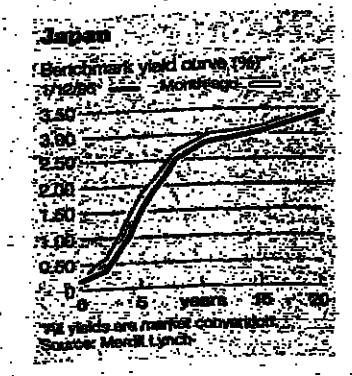
The October current account data due on Wednesday will reveal the capital flows into Japan's financial markets.

"October usually sees a seasonal outflow following the interim year-end repatriation of the previous month, and there may also have been additional outflows into foreign bonds from individual investors," said SBC Warburg.

Many retail investors, facing record redemptions of five-year debentures and other products purchased ago when interest rates were at a peak, are chasing higher yields in foreign bonds.

Institutional investors, meanwhile, seem to be sticking to Japanese government bonds. Banks are expected to take profits on their holdings ahead of the March book closing to cover bad loan write-offs, but until then are expected to be steady buyers.

Life insurers remain risk-averse due to declines in premium income, with foreign currency bond holdings up just

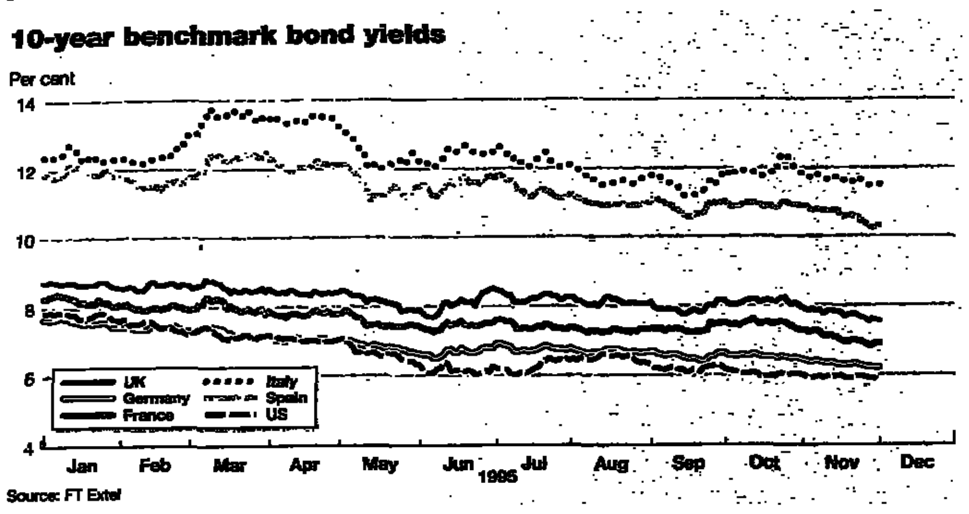


*All yields are market convention
Source: Merrill Lynch

1.5 per cent at the end of September. In spite of pressure from the ministry of finance, capital flow data are likely to show minimal purchases of overseas assets.

Investors are also waiting for the Bank of Japan's quarterly survey of business sentiment due Friday. Although the yen's decline and lower interest rates should have improved confidence, there may not be a marked recovery as industrial output has remained sluggish.

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	0.50	3.50	6.10	9.00	6.75²
Overnight	5.75	0.38	4.13	5.37	10.31	7.00
Three month	5.46	0.28	3.85	6.31	10.43	6.50
One year	5.33	0.30	3.75	5.75	10.43	6.25
Five year	5.49	1.34	4.87	6.21	11.05	6.85
Ten year	5.71	2.89	6.11	6.93	11.39	7.51

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%.

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	119-15	119-30	+0-17	120-00	119-10	76,505	204,065
Mar	119-04	119-22	+0-17	119-24	119-00	376,223	222,601
Jun	118-26	119-07	+0-16	119-07	118-23	2,624	13,247

Japanese equity warrants

Fujitsu launch raises hopes of a revival

Last week's launch of the largest Japanese bond with warrants in two years has turned the spotlight back to the Japanese equity warrant market, spurring hopes that it may be emerging from the doldrums of recent years.

Fujitsu, the Japanese electronics manufacturer, issued $600m of bonds with warrants, the largest such offering since November 1993.

And with some $1.8bn of new cum-warrant bonds denominated in US dollars and Swiss francs launched last month, November has seen the largest amount of new issuance since March 1994, when the market all but ground to a halt after the promulgation of more restrictive balance sheet rules for warrant bond financing.

While issuance for the year – including repackaged warrant issues by special purpose vehicles – totals only $6.1bn to date, three-quarters of that has surfaced since July. More supply could come from companies listed on the over-the-counter Jasdaq exchange, which will be allowed to issue warrant-bond issues from 1996.

The market for Japanese equity warrants – long-dated call options on stocks issued along with corporate bonds and then stripped to be traded independently – has had its ups and downs.

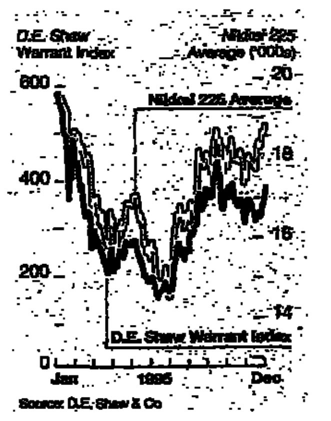
The warrant market boomed during the bull run in Japanese equities in the late 1980s, but slumped after the Nikkei 225 index fell from a high of 38,916 in December 1989 to as low as 14,309 in August 1992.

Issuance dwindled accordingly. From a high of $67bn in 1989, volumes fell to $29bn in 1991, $16bn in 1993, and a mere $8.4bn in 1994, according to Euromoney Bondware.

The expiry or conversion of hundreds of warrant issues over the past few years has reduced the absolute number of actively traded warrants. And the drop in the number of market-makers from 12 to eight in the last two years has led to concern that market liquidity would dry up.

However, the Japanese stock market's recovery this summer has given the warrant market a new lease on life.

While the Nikkei has risen



Source: D.E. Shaw & Co

by 30 per cent since July, the DE Shaw Warrant Index, one of the measures of warrant performance, is up 129 per cent, thanks to the substantial leverage warrants offer.

The performance of the Nikkei has been boosted by the depreciation of the yen against the US dollar; the strong performance of US high-tech stocks, which has spilled over into the Japanese market; the widespread perception that the Japanese banking crisis is being resolved; and speculative buying by Japanese trading accounts.

Foreign appetite for this laggard stock market also appears to be improving.

"With the Dow Jones index hitting new highs all the time and European markets performing strongly, here's a market that's heading for economic recovery and is still 50 per cent off its all-time high," says a trader.

"The market remains bullish and a near-term test of 19,000 is quite likely," said analysts at Sakura Financial International. They caution that, because economic activity may not show the necessary strength to justify such high ratings near-term, the market could slip back towards 17,000 early next year. However, "should those levels present themselves again, we would strongly recommend investors to buy the Nikkei in preparation of another major bull run", they write.

Positive equity market sentiment has spilled over into the warrant market, which has seen increased buying by hedge funds, speculative accounts and institutional investors, says Mr Steven Fine, head of institutional sales at DE Shaw Securities, a warrant market maker.

To give sceptical investors added downside protection, issuers have taken to adding an extra frill: the so-called refix clause, which can be used to adjust the warrant's exercise price downwards by a specified percentage if the underlying share price falls.

As a result of the warrant market's revival, investment funds specialising in warrants have recently gone from being the dogs of the mutual fund industry to being among the fastest-growing investment vehicles in town.

After falling by some 90 per cent over the last five years, the five warrant funds tracked by Lipper Analytical Services have put on an impressive performance in recent months: although they lost 41 per cent in the first quarter and 12.5 per cent in the second, they soared by an impressive 54 per cent in the third quarter.

Conner Middelmann

Ecu bonds

Conversion versus convertibility

The possible convergence of currencies and interest rates as the European Union moves towards its single currency plan has frequently exercised players in continental Europe's bond and money markets in recent years. But over the last two weeks conversion has sometimes appeared to offer better returns to investors.

The conversion in question is that between the European currency unit (Ecu) and the new European currency to be formed when European monetary union is introduced.

It has become an issue for investors because of doubts about the future value of the Ecu, which is made up of a basket of 12 European currencies. More than Ecu130bn of bonds (including eurobonds) are outstanding, about 3 per cent of the world's fixed income markets.

The bonds have not been popular of late, trading at a discount even to their own so-called theoretical value (derived by measuring the combined bond yields of the countries which form the Ecu basket).

Uncertainties surrounding the path to European monetary union are the main reason investors have been put off. Over the last year it has become apparent that only a handful of member states will meet the Maastricht criteria for membership of the union.

But the value of the currencies of these countries is greater than the 12 which currently make up the Ecu basket and this has given rise to the possibility that the Ecu and the new currencies may not be convertible on a one-for-one basis.

Twelve days ago, however, the French Treasury announced that it would fully redeem issues of Ecu-denominated OATs in the new European currency.

Subsequently, last Monday, European finance ministers indicated that they had agreed in principle for the existing issues to be convertible to the new European currency at a one-to-one rate.

Ecu bond prices rose sharply as a result. Ten-year yield spreads over German bonds narrowed from 109 basis points on November 17 to 84 points on November 27.

Ms Mary Bloem, bond analyst at Paribas Capital Markets, says many investors have been attracted back to the market, with interest from European and Far Eastern funds particularly strong.

"We have seen people buying Ecu bonds who we haven't seen for two years," she said. "Uncertainty has been taken out of the market."

Later last week, though, prices dropped back. Sceptical comments from German officials were followed by news on Thursday that the UK had lodged a formal reservation against having the new European single currency being exchanged one-for-one with the Ecu.

In addition, the recent problems of the French market have also spilled over to the Ecu sector. By Friday evening, the 10-year yield spread of Ecu bonds over Germany was back at 102 basis points.

Even so, analysts say 10-year Ecu bond paper offers good value in the longer-term. Mr Steven Major of Credit Lyonnais in Paris predicts that opposition to one-to-one conversion will fizzle out.

He points out that most British Ecu issues mature before the end of 1998 and expects one-to-one convertibility to apply. If that proves to be the case, Ecu bonds look cheap on current valuations – assuming monetary union goes ahead.

Early on Friday, Mr Major said Ecu-denominated 10-year bonds were trading at a discount of 65 per cent to the theoretical yields of a combination of 10-year paper issued by the six countries most likely to join EMU – Germany, France, Luxembourg, Belgium, the Netherlands, and Ireland.

Richard Lapper

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Banco ABN Amro	125	Dec.1997	8.75#	100.00R	8.75	+335(WI 2yr)	ABN Amro Hoare Gvtt.
ING Bank, Sao Paolo Branch(a)	50	Dec.2003	(a1)#	99.802R	8.860	+340(WI 2yr)	ING Barings
Thermo Electron Corp.(f,s)§	500	Jan.2003	4.25#	100.00	-	-	Lehman Brothers Intl.
Inter-American Dev. Bank★	100	Dec.2000	5.30#	100.00	5.300	-	IBJ International
PBZ Securities, Series A★(g)	26	Nov.1998	9.75#	98.152	11.76	-	Banque Indosuez
PBZ Securities, Series B★(g)	34	Nov.1998	9.75#	103.73	5.855	-	Banque Indosuez
WestLB Finance Curaçao	250	Dec.1998	5.625	99.931R	5.651	+5(5½%-98)	Lehman Brothers Intl.
GECC	250	Dec.1998	5.50	99.82R	5.567	-3(5½%-98)	SBC Warburg
Crédit Local de France	200	Dec.1998	5.625	100.166R	5.563	-3(5½%-98)	SBC Warburg
Lloyds Bank, Brazil branch★	150	Dec.1997	9.00#	99.828R	9.098	+365(WI 2yr)	Merrill Lynch Intl.
Banco Bradesco	100	Dec.1997	8.625#	100.00R	8.625	+318(WI 2yr)	Citibank Frankfurt
Korea Long-Term Credit Bk.‡	100	Dec.1998	(h)	99.807R	-	-	Salomon Brothers Intl.
Signet Heloc Trust 95-A(n)★‡	480	Jun.2004	(n1)	99.953R	-	-	JP Morgan Securities
Toyota Motor Credit Corp.	200	Dec.1998	5.50	99.90R	5.537	flat(5½%-98)	CS First Boston
EBRD★	200	Dec.1996	4.70	100.50R	4.18	-	Nomura International
Dresdner Finance	250	Dec.1999	5.50	99.80R	5.614	-	Dresdner Bank
Banco de Boston(o)★	50	Dec.2003	(o1)#	99.75R	9.380	+400(5⅞%-97)	Bank of Boston
D-MARKS							
Depfa Bank(p,b,s)	1bn	Dec.2000	5.25	101.56	-	-	ByHyp/ByrLB/Cmrz/DG
SGZ-Bank Ireland‡	300	Dec.2002	(c)	99.20	-	-	Merrill/ Trinkaus
Grundkreditbank‡	500	Dec.2000	(d)	100.03	-	-	DG Bank
Republic of Colombia(l)	150	Dec.2000	7.25	100.00R	7.250	+200(6%-00)	Deutsche Morgan G'fell
Allgemeine Hypo.(p,s)	1bn	Jan.2005	6.25	101.09	-	-	D'sche/Drsdnr/DG Bk
Rheinische Hypothekenbank(p)	1bn	Dec.2001	5.50	101.225	5.527	-	ByHyp/Cmrz/Ddnr/UBS
Deutsche Ausgleichsbank(r)	350	Dec.2003	6.125	98.355R	6.230	+18(6%-03)	Trinkaus & Burkhardt
Finnish Export Credit	200	Jan.2001	5.25	99.40R	5.390	+39(5¼%-00)	Deutsche/ Yamaichi
Hellenic Republic(l)‡	150	Nov.2000	(i1)	99.85	-	-	Citibank/ WestLB
Wuestenrot Hypobk.(u)‡	200	Dec.1999	(u)	100.10	-	-	Bk.Gesellsch/W.Bk
SBAB	150	Jan.2001	5.25	99.44R	5.376	+46 (OBL116)	Bayerische V.Bank
DSL Finance(q)	150	Dec.2000	5.50	100.86R	5.292	+35(5⅞%-00)	UBS Germany
YEN							
Konami Co.(b,s)§	15bn	Mar.2000	0.75#	100.00	-	-	Nomura International
City of Bratislava	6.5bn	Dec.2000	4.10	100.00	4.100	-	Nomura International
Republic of Turkey★	50bn	Dec.1998	4.00	100.00R	4.000	-	Nomura International
United Mexican States(s)★	30bn	Mar.1997	2.85	99.90R	-	-	Nikko Europe
United Mexican States★	13bn	Dec.1997	3.00	100.00R	3.000	-	Nikko Europe
SWISS FRANCS							
BNG	150	Jan.2001	3.50	103.20	2.805	-	ABN Amro/ SBCW
GMAC Canada	100	Jan.2001	3.75	102.70	3.158	-	Banque Paribas(Suisse)
Deutsche Finance (Neths.)	100	Jan.2002	3.625	103.30	3.016	-	Deutsche Morgan G'fell
Sociedad Comercial del Plata★	50	Dec.2000	9.00	99.75	9.064	-	Credit Suisse
STERLING							
Co-operative Bank(k)‡	75	Dec.2005	(k1)	100.00R	-	-	ABN Amro HG/ UBS
Co-operative Bank(m)	50	undated	9.375	98.277R	9.490	+170(8½%-05)	ABN Amro HG/ UBS
SBC Jersey	150	Dec.2025	8.75	99.547R	8.793	+83(8¾%-17)	SBC Warburg
GUILDERS							
Nederlandse Waterschapsbank	250	Jan.2000	5.00	99.61R	5.110	+10(l)	ABN Amro Hoare Gvtt.
BNG	1bn	Jan.2006	6.375	99.90R	6.383	+15(6¾%-05)	ABN Amro Hoare Gvtt.
Nederlandse Waterschapsbank	500	Jan.2006	6.25	99.82R	6.275	+14(6¾%-05)	ING Barings Bank
FRENCH FRANCS							
DGZ	500	Dec.2005	7.00	99.76R	7.034	+15(7¾%-05)	Banque Indosuez
Compagnie Bancaire(t)‡	500	Jan.1997	(t1)	100.025R	-	-	CCF
LUXEMBOURG FRANCS							
LW Rentenbank(s)	2bn	Dec.2001	6.125	102.80	5.56	-	Crédit Européen
EBRD	2bn	Dec.2000	zero	77.95	5.197	-	BCEE/ BGL
Dresdner Bank Luxembourg	2bn	Jan.2006	7.00	102.75	6.615	-	BIL
GECC(l)	2bn	Mar.2001	5.75	102.20	5.25	-	Banque Paribas Lux.
Kredietbank Lux.	2bn	Jan.2003	6.375	102.65	5.902	-	Kredietbank
ITALIAN LIRE							
Telecom Argentina(e)	100bn	Dec.1997	14.00	99.77R	14.14	-	BCI/ JP Morgan Secs.
DANISH KRONER							
Kommunekredit(s)	400	Dec.2000	6.50	101.80	6.07	-	Banque Paribas Lux.
PESETAS							
Eksportfinans	10bn	Jan.2001	9.765	101.625	9.369	-	BSN
Bayerische Landesbank(l)	10bn	Dec.1999	9.70	101.438	-	-	Banco Central Hispano
Bayerische Landesbank(s)	10bn	Dec.2005	10.20	101.528	-	-	Banco Central Hispano
CANADIAN DOLLARS							
Province of Nova Scotia(s)	250	Dec.2000	7.00	98.90R	7.270	+28(7½%-00)	Toronto Dominion Bank
Bayerische Landesbank(s)	100	Dec.2000	6.75	99.17R	6.95	flat(7½%-00)	Toronto Dominion Bank
GE Capital Canada(s)	150	Dec.2001	6.75	99.125R	6.94	+2(7½%-01)	Wood Gundy
Bayerische Vereinsbank	100	Jan.2006	7.25	98.90R	7.410	-	Hambros Bank
SWEDISH KRONOR							
Swedish Export Credit	500	Jan.2000	8.75	102.50	7.995	-	SHB
ESCUDOS							
POLO Securities‡	20bn	Jan.2002	(v)	100.00	-	-	Bankers Trust
SOUTH AFRICAN RAND							
WestLB Finance Curaçao	250	Dec.2000	14.00	100.00R	14.00	-	West Merchant Bank
TMCC	250	Dec.2000	14.00	101.375	13.60	-	Deutsche Bank
IRISH POUNDS							
European Investment Bank	45	Dec.2000	7.00	101.711	6.587	-	Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. #With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Callable & puttable on 5/12/97 & 99 at 100.05% and par respectively. a1) 8¾% to 5/12/97, then 9⅛% to 5/12/99 and 9¼% thereafter. b) DM10m launched 17/11/95 was increased to DM2bn. c) 3-mth Libor flat. d) 3-mth Libor +15bp. e) L300bn launched 16/11/95 was increased to L400bn. f) Conversion price: $56.70. Callable from 1/1/99 at par. Greenshoe: 15%. g) Secured by former Yugoslavian debt. h) 6-mth Libor +30bp. i) Over interpolated yield. j) Fungible with DM700m. Plus 19 days accrued. (i1) 3-mth Libor +65bp. k) Callable on December coupon dates from 2000 at par. k1) 3-mth Libor +75bp to Dec.00 and +125bp thereafter. l) Long 1st coupon. m) Callable on 20/12/05 and every 5 yrs thereafter at par. If not called coupon is reset at the then 5-yr gilt +270bp. n) Average life 4.86 yrs. n1) 1-mth Libor +27bp. o) Callable & puttable on 5/12/97, 98 & 00 at par. o1) 9¼% to 5/12/97, then 9½% to 5/12/98, then 9⅝% to 5/12/00 and 10¼% thereafter. p) Oeffentliche pfandbrief. q) Fungible with DM200m. Plus 40 days accrued. r) Includes DM100m increase at 101.575% issue price. s) Short 1st coupon. t) FFr1bn launched 15/11/95 was increased to FFr1½bn. t1) 3-mth Pibor +5bp. u) Pays 6-mth Libor flat. v) Pays +0.125% + 6mth Lisbor. Note: Yields are calculated on ISMA basis.

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FINANCIAL TIMES SURVEY Monday December 4 1995

INTERNATIONAL FUND MANAGEMENT

Caught off balance by Wall Street

While bonds and equities have had a generally good year, the individual ups and downs have been hard for managers to predict, says Barry Riley

Erratic movements in the world's securities markets this year have left many international portfolio managers with a lot to prove.

Bond markets and the US stock market have sparkled, but many of the once-glamorous emerging equity markets have taken a stomach-wrenching dive. Riding these ups and downs has turned out to be something of a white knuckle ride for many global investors. In particular, they have faced impenetrable challenges in Japan where the bond market, the stock market and the currency have churned violently in various directions at different times during the year.

Global investment is a relatively new industry – or at least, it is one that was effectively reborn in the 1980s after a 70-year hiatus that reflected two world wars, the 1930s slump and the post-second world war decades of foreign exchange barriers. In its modern incarnation the industry has been strongly stimulated by new communications technology. But it continues to be hampered by regulatory obstacles in many countries.

How big is the global investment industry? The answer depends on how you define it, but the raw material consists of the securities traded on exchanges around the globe. Bonds are worth some $18,000bn and equities perhaps $14,000bn. But the proportion that is owned and traded across borders is quite small.

Looking at internationally-owned equities, statistics published by Technimetrics, which compiles institutional investor databases, show that at the end of June this year US institutions owned $312bn outside the US, two-thirds directly and one-third through American (or Global) Depositary Receipts.

UK institutions, the other big international force, have nearly $300bn in overseas equity portfolios according to government statistics. Continental Europe remains small as a global investor – under 4 per cent of the assets of French and German mutual funds, for example, are invested abroad – but will grow.

Altogether Technimetrics tracks the holdings of 4,500 institutions globally, including more than 2,000 in the US, some 1,800 in Europe and 550 in the Asia-Pacific region.

Japanese institutions were important in the 1980s, especially as investors in dollar bonds, but they have largely retreated to their home markets in the 1990s because of foreign currency losses and domestic financial instability.

A recent analysis by Micropal, the mutual fund performance consultants, has suggested that world retail mutual fund assets stand at $5,500bn and the private pension industry at $10,000bn, with half of each owned by US residents who account for only 5 per cent of the world's population.

Largest US investors in non-US equities

	$bn
Fidelity	26.9
Capital Research	21.0
Franklin Resources	14.5
TIAA-CREF Inv Management	11.4
Merrill Lynch Asset Management	9.6
Putnam	7.6
Scudder, Stevens & Clark	7.6
Investors Research Corp	6.4
General Electric Investment Corp	5.3
Wellington Management	4.6

*As at end-1994 Source: Technimetrics

Investment centres
Cities ranked by institutional equity holdings*

City	$bn
Tokyo	1,523
London	754
New York	678
Boston	425
Zurich	379
Geneva	242
Paris	231
San Francisco	199
Los Angeles	169
Toronto	144

*As at end-1994 Source: Technimetrics

These statistics have two important implications. One is that as other economies develop the disproportionate US domination of international portfolio capital will diminish. Second, US funds are likely to continue to diversify their funds internationally in order to achieve their required rates of return.

Global flows of funds are already dominating national stock market movements. In 1993 capital to the tune of some $60bn flooded out of the US and caused a worldwide share price surge, especially in emerging markets. In 1995 the money appeared to stay largely bottled up in the US, with only $14bn going into foreign equities in the first six months, so the bull market appeared in Wall Street instead.

Important pools of capital are developing, however, in areas such as south-east Asia. "The emerging market domestic investor will invest internationally as soon as permitted," says Christopher Poll, chairman of Micropal. "In time, this will be the biggest single new source of cross-border flows."

Global investment firms are therefore pursuing an increasingly worldwide business strategy, and are no longer marketing only to potential clients in the US and the UK. According to Hugh Bolland, joint chief executive of Schroders Investment Management in the UK, consultants such as Frank Russell, Watson Wyatt and Towers Perrin are also globalising themselves, and are likely to turn up at manager selection contests in the Far East as well as the US or Europe.

"The barriers are now getting higher because you need a global presence," says Mr Bolland. "Only a handful of companies can demonstrate global competence."

With a number of big banks positioning themselves to join the select group of global investment managers, something of a takeover scramble has developed. London-based companies such as Jupiter Tyndall and Kleinwort Benson have fallen to German bank takeovers this year.

There has been a jump of more than 40 per cent this year in the share price of Schroders, which manages over $80bn worldwide, although the company says it wishes to remain independent. Zurich Insurance has bought Kemper, the big Chicago-based funds group, although in general the fragmented nature of the US money management scene, with many hundreds of boutiques, makes it hard to fit into global empire-building.

International banks see fund management as a natural add-on to their lending and financial trading activities, and one that has both lower risks and substantial growth potential.

Nevertheless, the investment culture of a global manager is often delicate, depending upon a few key personnel. If investment performance slips the business can melt away, starting with institutional clients such as pension funds. Other business categories, such as retail mutual funds and private banking clients, will be affected more slowly but just as surely.

It may be wise to leave local centres of excellence untouched than to impose a brutal globalisation plan, however rational this may seem. But there is a constant debate about whether tactics should be decided through global hook-ups or through a centralised team.

"There is not enough evidence that local management produces sufficient extra performance to offset the problems arising from greater distance from the client," says Christopher Tracey, investment director of balanced funds at Robert Fleming in London. But he adds: "For small capitalisation stocks you have to be much closer to the companies."

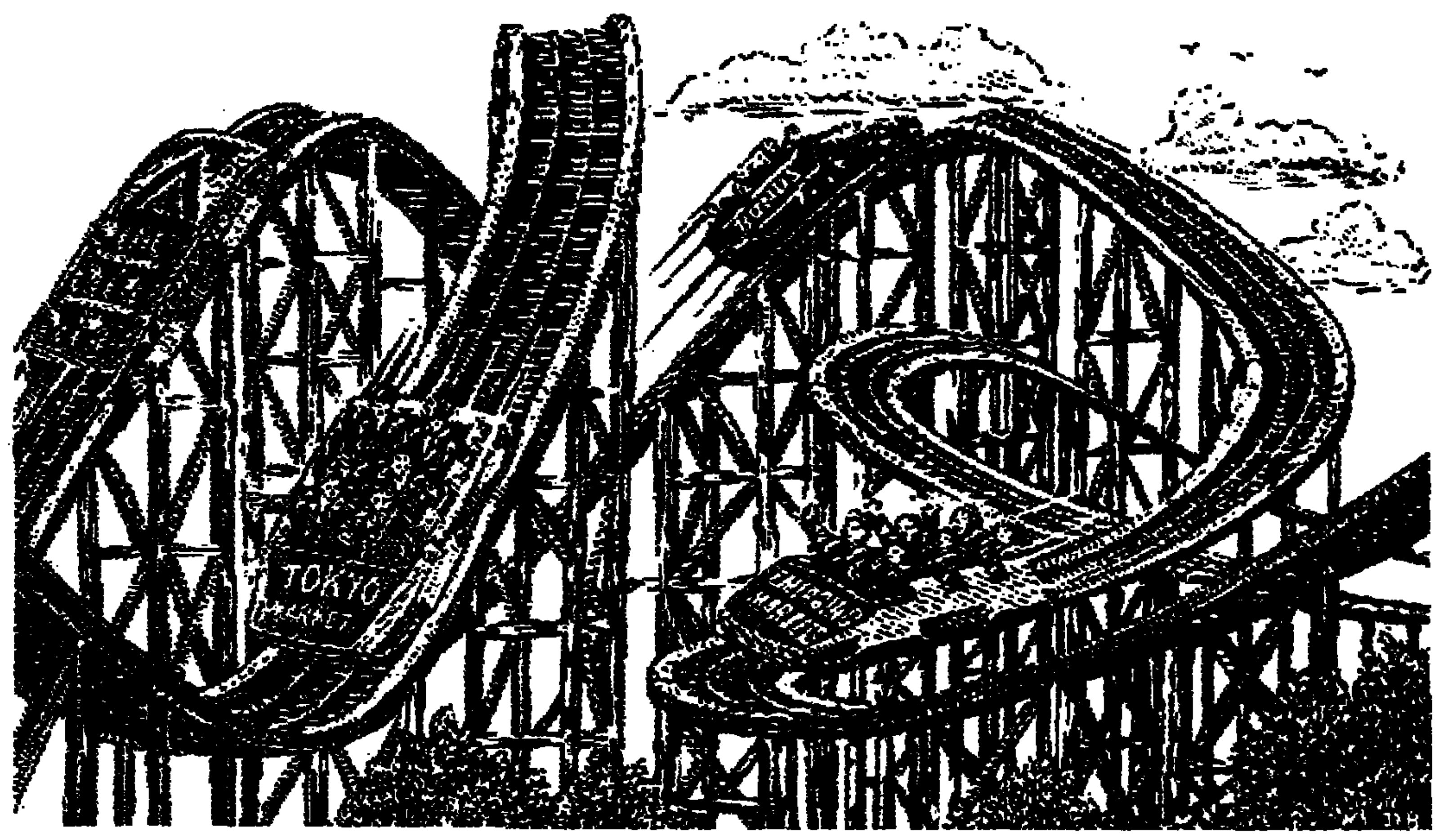
According to Mr Tracy the global strategic problem essentially boils down to America versus Japan. "That is what makes or breaks performance."

For this reason it has been a particularly tough year for many global equity managers, with the US index up some 32 per cent after 11 months but Japan down 6 per cent in dollars. Most London-based managers have seriously underweighted Wall Street, with many UK pension funds, for instance, now running under half the US equity exposure in their overseas portfolios than would correspond to the capitalisation-weighted indices.

In effect, many global managers have diverted their Wall Street exposures into south-east Asia, which is reckoned to show much more potential growth than the US, but which has badly failed to meet expectations this year. Whether this big bet should be allowed to run on through 1996, in the hope that it will come spectacularly right in the way it did in 1993, will be an important decision for year-end strategy committees.

Meanwhile, the global bond managers have their own problems, largely arising from recent mishandling of their dollar/yen exposures. Right now, according to a survey by Merrill Lynch of 96 global managers, there are some extreme views on currencies: most managers are heavily overweight in dollars and D-Marks but are very short of the yen. So a lot is riding on these D-Mark/yen positions.

Seemingly rational decisions can all too often be cruelly punished by perverse market movements. Global portfolio management has been described as a science that has yet to be invented. A lot of managers have this year wished that their theories had a better foundation.



■ **European pension funds:** by Debbie Harrison

Dual purpose for private plans

Europe's state plans have little financial reserves – they are pay-as-you-go schemes

The combined value of European Union pension funds, already worth a massive Ecu1,100bn, is growing rapidly as governments accelerate the shift in pension provision to the private sector.

However, the sheer size of these combined funds masks staggering differences in private pension development, with the UK and the Netherlands accounting for about 80 per cent of total assets.

In Germany, occupational pension schemes are widespread but the pension fund "assets", if they can be regarded as such, are covered by book reserves in the balance sheet of the employer, representing a degree of self-investment unprecedented elsewhere in Europe.

Where state pensions are generous, private provision remains limited and in some countries – most notably France and Italy – governments face fierce political and social opposition to cuts in state welfare systems.

However, Europe's state pension schemes have little or no financial reserves: they rely instead on the national insurance contributions of current workers to pay today's pensioners.

What the World Bank has described as "the biggest problem of our time" – increased longevity, falling birthrates and widespread unemployment – has pushed several of these "pay-as-you-go" systems into virtual bankruptcy.

Of course, it is not just pensioners who will benefit from the expected growth in private pension funds. The European Commission believes that these assets, which in Ireland and the Netherlands exceed stock market capitalisation, and in Denmark, the Netherlands, Switzerland and the UK represent more than 75 per cent of gross domestic product, could be used more effectively and efficiently to boost economic recovery.

But an increase in the size of pension funds will do little to stimulate the economy unless accompanied by the relaxation of investment constraints that currently force pension funds in most European countries to invest heavily in government and local authority bonds.

Back in 1990, Sir Leon Brittan, then European Union Commissioner for the directorate generals (the policy makers) for financial services and competition, said that in the Commission's view the first duty of pension funds was not to finance public deficits but to maximise the returns they secure for members.

His words fell on deaf ears. In 1994, the draft Pension Fund Directive, which aimed to liberalise cross-border management and investment of these funds throughout the EU, bit the dust after acrimonious disputes over investment controls and taxation.

Far from accepting defeat, the Commission quickly issued a "communication" on investment freedom and the internal market for pension funds.

Geoffrey Furlonger, head of consultants William M Mercer, explains: "A communication, unlike a directive, does not have the force of law but in this case the Commission set out its objectives in an uncompromisingly firm manner coupled with strong hints that it intends to enforce its views via test cases in the European Court of Justice."

Last year the Commission also asked the European Federation for Retirement Provision, an influential body which represents the interests of national pension fund associations throughout Europe, to examine the impact of the relaxation of investment restrictions on employers and capital markets.

The EFRP report is expected to conclude that such a move would improve investment returns and hence reduce employers' costs, while simultaneously developing stock markets and providing industry with new sources of capital.

Governments keen to continue major privatisation programmes will also welcome the increased presence of heavyweight domestic institutional investors which could prevent the control of newly privatised industries from shifting overseas.

Population and pension assets

Country	Population (millions)	Percentage of population aged 65 & over	Value of pension assets ($bn)	Pension assets per capita ($000)	Pension assets as a % of GDP
Belgium	10.1	15	17	1.7	8
Denmark	5.2	16	105	20.2	77
Finland	5.1	14	28	5.5	21
France	58.1	15	n/a	n/a	n/a
Germany	81.2	15	285	3.5	16
Ireland	3.6	11	15	4.2	32
Netherlands	15.4	13	380	24.7	124
Portugal	9.9	13	5	0.5	7
Switzerland	7.1	15	187	26.7	80
UK	58.4	16	721	12.3	76

Source: William M. Mercer "European Pension Fund Managers' Guide 1995"

To improve investment returns it follows that pension funds must have access to new markets and specialist managers.

Where funds reduce their bond holdings, the limited size of many Continental stock markets will restrict domestic equity investment and dictate a substantial foreign equity weighting.

This pattern is already evident in Ireland where more than 40 per cent of the average pension portfolio is in overseas equities.

The increasing demand for international equity specialists should be good news for the UK and US investment managers keen to build up a Continental pension fund client base.

Several institutions have won business in the Netherlands, which has the most open and competitive private pension sector outside the UK. Switzerland and Germany also represent prime targets but here, as elsewhere in Europe, being a reputable US or UK company is not enough. Local presence, local credibility and local skills are essential.

Few investment houses have won mandates in these tough, fragmented markets.

To date the most successful include Capital International, J.P. Morgan, Schroders, Morgan Grenfell, Mercury Asset Management, State Street Global Advisers, PDFM/UBSII and Wells Fargo Nikko Investment Advisers (which becomes part of BZW from January 1996).

Pooled fund management is attractive to both large and small pension funds on the Continent and several managers have proved adept at targeting this market.

Capital International has 15 pooled fund clients in the Netherlands out of a total of 33 pooled clients in Europe.

Schroders offers pooled fund management, especially in the newer markets – for example France, Germany and Italy – while the recently opened Luxembourg office is used to promote Schroders' range of Sicav funds. Fidelity and GT also operate successfully in Europe out of Luxembourg.

The investment managers are not the only ones struggling to gain a foothold on the Continent.

Investment consultancy may dominate the manager selection process in the UK and US, but it is still limited in continental Europe although William M Mercer, Watson Wyatt, Frank Russell and Towers Perrin have had some success.

The problem for consultants is in convincing the pension funds they need help. The large Dutch and Swiss pension funds for example, often include on their trustee or foundation boards investment professionals from banks and universities.

As a result these funds tend to make appointments direct, totally by-passing the investment consultant – a practice which may change as funds move to a more complex asset allocation profile.

Debbie Harrison is the author of the FT Management Report, Pension Fund Investment in Europe, published in November 1995 by FT Financial Publishing, price £295. Tel: 0171 896 2698

■ **United States:** by Maggie Urry

Crossing a mental frontier

The proportion of pension fund money placed outside the US has increased

International investments were shunned by US investors for years. Many justified their xenophobia with the argument that putting money abroad would increase risk.

But by the 1980s, a change of attitude had come about. Lawyers interpreted legislation regarding retirement schemes, for example, to mean that a prudent investor must diversify overseas. Fund managers began to realise that a portfolio could reduce its risk through international investments and increase its returns at the same time.

Now there is a widespread belief that investors, large and small, should spread their assets across borders. The proportion of pension fund money placed outside the US has risen, and is projected to increase.

According to a survey by Greenwich Associates, the consultants, by 1994 corporate pension funds had 9.5 per cent of their assets overseas, including fixed income and equity investments. Public sector pension funds had been slower off the mark but by 1994 had overtaken the corporate schemes, putting 11.2 per cent of their portfolios overseas.

Virgil Cumming, head of international investment at the College Retirement Equities Fund (Cref), a pension fund with more than $65bn (£41bn) in stocks, says Cref was one of the earliest funds to diversify outside the US, with the first large expansion in 1972 and a further increase in 1979. Now it has about 16 per cent of the stock fund invested abroad.

Individual investors have been investing outside the US too. Part of the trend has been through the so-called 401k personal pension plans that many companies now offer their staff. Employees are able to choose where to invest their pension contributions between different options suggested by the company. Many companies make an international fund one of the options.

Nick Bratt, director of global equity research at Scudder, the mutual fund group, says that in his 20 years of international investing at Scudder, the first 10 "were very slow sledding" but the pace has accelerated in the past 10 years.

Scudder was the first fund group to launch a US-based international fund, in 1953, and is the most international of the mutual fund companies now with more than half the equity assets it manages invested outside the US.

In the past five years, there has been an explosion of international funds offered by mutual fund managers. Some are global, some regional and some country specific.

Neal Litvack, executive vice-president in charge of retail marketing at Fidelity, the largest mutual fund group with assets of more than $380bn, says there has been a marked increase in interest among individual investors in investing outside the US. Since Fidelity opened its first international fund in 1985, its investments outside the US have grown to more than $10bn. In 10 years the number of funds it offers has increased from one to around 25, including six new funds.

The funds have been opened in response to investor demand, Mr Litvack says: "More and more people are understanding the value of diversifying internationally." Two-thirds of the world's investments are outside the US, he comments.

He says the investors fall into two broad types: sophisticated and aggressive investors who like to trade securities actively, and another group which are more buy-and-hold investors looking to long-term performance. The former category prefers the narrowly-focused funds and often switches between them. The latter aims for the more diversified funds.

Only the broader funds are offered to people looking to invest their 401k personal pension plans, Mr Litvack says. Typically a 401k plan will have about 15 per cent of its money invested internationally.

However, the belief that higher returns can be generated through international investment has fallen down in recent years. The strong performance of the US stock market has outshone the rest of the world. Returns on the S&P500 index have substantially beaten the world index. That is partly due, Mr Cumming says, to the heavy weighting of the Japanese market in the world index, which has dragged its performance down. Over the past year it has also reflected the poor performance of emerging markets following the Mexican crisis at the end of 1994.

Mr Bratt says "individual investors have been on strike this year" as regards international investment, while cash flows into US equity funds have been huge. However, he believes this is a short-term phenomenon, and that the relative performances of the US and international markets are likely to change in the next few years. Now is a good time to invest outside the US, he says.

Mr Litvack agrees that 1995 has been "a fairly dismal year for emerging market funds performance". But he believes investors have put the Mexican crisis into perspective. Those who were *already in the fund* have stayed and Fidelity has not seen a lot of redemptions from the Latin American funds.

The search for good value among non-US stocks has led to the development of international research teams.

Fidelity has 150 analysts outside the US covering 3,000 leading companies around the world from offices in London and Paris, Tokyo, Taiwan and Hong Kong. Latin American companies are mainly covered from Fidelity's Boston headquarters where there are more than 100 analysts looking at international stocks.

By contrast, Scudder's approach is to keep most of the *analysts based in the US*, although there are a few in Tokyo, so that analysts and portfolio managers can discuss ideas face to face.

Some fund managers organise analysts by country, some by industry. But there is a trend to use both and combine their expertise.

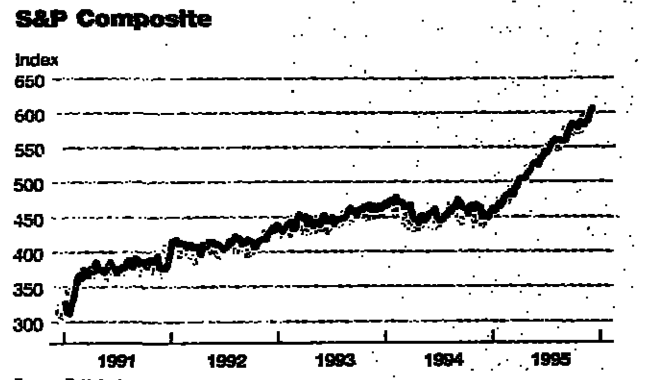
Mr Cumming says Cref's original approach to researching international investments was to have analysts covering countries. Now Cref is changing to sector analysts looking globally. For instance, the auto analyst would look at the three large US carmakers, and then beyond to include carmakers in Europe and the Far East.

The analyst would now look for "the best auto stock at the best value," says Mr Cumming.

The country-specific analysis is overlaid on the industry analysis, and that sometimes leads to a disagreement between the two, Mr Cumming says. That can be resolved either way, or a middle path can be taken, for instance by buying a stock but hedging the home country's market or currency.

Most fund managers prefer not to hedge currencies. Mr Litvack says Fidelity's research shows investors do not want to hedge. Mr Bratt says Scudder is "reluctant" to hedge, and only indulges if a currency is overwhelmingly out of line.

S&P Composite



Source: Datastream

■ **Japan:** by Emiko Terazono

Institutions shun foreign bonds

The financial crisis has prompted profit-taking instead of a wave of buying

Traders of European and US bonds expected a wave of Japanese buying following the Japanese government's announcement of a package to check the rise of the yen this August. They have been disappointed.

The measures unveiled by the finance ministry were intended to encourage financial institutions to invest abroad. They allow institutional investors holding US treasuries and other listed foreign currency bonds to value the instruments either at cost or market value, providing more flexibility in portfolio management. This relaxation *has been criticised as a step* back in the disclosure of institutions' financial health.

The package lets Japanese investors buy Euroyen bonds from foreign issuers immediately after their issuance. Previously the government had placed a 90-day ban on purchases to protect the domestic corporate bond market.

At first the deregulation of overseas fund flows was successful in encouraging Japanese institutions to buy dollar assets.

But the country's financial crisis has prompted profit-taking in foreign bonds as banks cover their losses for loan write-offs. The premium they pay to raise short-term funds in overseas markets has provided a further impetus.

In order to prop up their earnings ahead of the half-year book closing Japanese investors reduced their overseas bond holdings in September. They sold a net $701m. According to the ministry of finance Japanese banks wrote off a combined amount of Y2,585bn ($26bn) in bad loans in the same month.

The rise in banks' borrowing costs from the European money markets has eroded their profit margins on investments in long-term foreign bonds and forced them to shrink their balance sheets.

The reforms combined with record low returns on domestic bonds have nevertheless prompted a steady flow of investments in foreign bonds by Japanese investors. The purchases would have been much greater if the financial crisis had not taken place, say analysts.

"There would have been more net selling of foreign bonds in September if there had been no package," says an economist at a European brokerage in Tokyo. Life insurer Meiji Life, for example, bought Y100bn of foreign bonds in September to compensate for the decline in exposure created by the sale of Y200bn in foreign bonds in the April-June quarter.

Private sector asset allocation has remained relatively cautious. Capital outflows have been bolstered by public investment funds, including the postal savings insurance fund. For the first half of the *fiscal* year to September Japanese investors bought a record $59bn of high-yielding foreign debt.

During the first half of the year Japanese investors bought a net $19.5bn in bonds in the US market, while the UK and Luxembourg markets saw a large inflow of Japanese funds thanks to high issuances of Euroyen bonds. Japanese investors bought a net $17bn in the UK and $12.7bn in Luxembourg.

Domestic institutions are likely to cut their investments at the end of the fiscal year in March 1996 too. Banks are expected to continue to write off their problem loans including their exposure to the financially-ailing *jusen*, or housing loan companies. The ministry of finance recently told a government advisory committee that banks will have to write off an estimated Y18,289bn of problem loans. Fuji Bank for example intends to write off its losses in one go at the end of this year.

Insurance companies are in trouble too. They need to meet past liabilities at target yields which are not available from investments in the domestic market. They will take profits where they can.

A heavily-hyped outflow from retail investors' funds in the second half of the calendar year 1995 may not materialise. The flood of liquidity would come from the maturation of some Y20,000bn in bank debentures, loan trust accounts and other high-yielding investments.

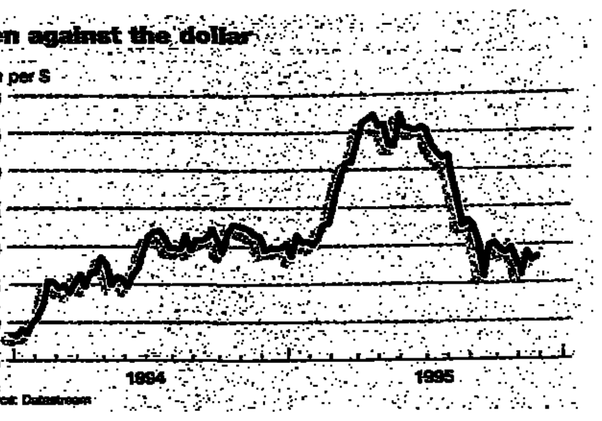
These were made five years ago when the official discount rate was at a nine-year high of 6 per cent and yields on five-year savings products were as high as 8.5 per cent. Retail investors rushed to buy five-year bank debentures offered by long-term credit banks and to trust banks to open five-year loan accounts.

Many European and US investors hope that money from maturing investments will flow overseas as investors chase higher returns.

But most retail investors are likely to keep their money where it is, or place it in state-run postal accounts as worries over the banking sector linger on.

Japanese investors may increase their currently-low exposure to other Asian capital markets, lured by potentially high long-term returns. Some Japanese brokers have started to sell investment trusts investing in convertible bonds issued by Asian firms. In September Nomura Securities started to market an investment trust which invests in Eurodollar-denominated convertible bonds issued by companies based in Hong Kong, Thailand, Malaysia, South Korea and other Asian countries.

Yen against the dollar



Source: Datastream

■ **Mergers and acquisitions:** by Norma Cohen

Move towards consolidation

Merger activity has increased significantly and there have been more and more cross-border deals

Consider the statistics. In 1995, there were 38 mergers worth $50m or more in the US fund management industry. In 1991, according to Milton Berlinski, head of asset management merger and acquisition at US investment bank Goldman Sachs, "there were fewer than a handful".

Over the past two years, the fund management business has been the subject of unprecedented merger activity, and, experts say, that trend is likely to continue for the next few years. Moreover, the deals are increasingly cross-border, creating international businesses out of what once were exclusively domestic operations.

> 'The banks fell asleep and trillions of dollars walked out of the door'

In the UK, there have been several widely publicised deals which have attracted significant attention. Earlier this year, Commerzbank, Germany's third largest bank, bought UK fund manager Jupiter Tyndall in a deal valued at £170m, while Paris-based Indosuez's 75 per cent stake in Gartmore is up for grabs in a deal which is expected to value the company at close to £500m. And Barclays Bank bought US-based fund manager Wells Fargo Nikko Investment Management earlier this year to create the world's largest passive fund management company.

When the UK investment bank Barings collapsed earlier this year, there were 27 separate bidders for its prestigious asset management arm and US investment bank Morgan Stanley said that when it bid for *UK rival SG Warburg last year*, its was Warburg's 75 per cent holding in Mercury Asset Management that it most wanted to acquire.

Why fund management, long the low-glamour, low-pay end of the securities industry, should be so much in demand is explained by several factors, Mr Berlinski says.

For one thing, the industry is maturing. Data compiled by Goldman Sachs show that over the past five years, the pace of growth in aggregate assets under management has begun to slow, suggesting to some fund management companies that the best way to grow is to acquire the assets of a competitor.

Second, he says, many of the companies now for sale were started by talented fund managers in the 1970s who are now approaching retirement age. Given the historically high price-to-earnings ratios at which fund management companies are trading, a sale looks like a good idea.

Third, European banks are starting to take a hard look at the US bank experience in fund management. In the 1970s, most US pension fund assets which had external managers were placed with banks. But the stiff legal requirements of the Erisa legislation for pension funds and growing concern about performance led pension managers to seek alternatives.

"The banks fell asleep for 20 years and trillions of dollars in assets walked out of the door," Mr Berlinski says. As a result, US banks for the most part have lost their competitive edge in fund management, a lesson which is not being wasted on their European counterparts. Buying fund management expertise, albeit at a high price, is one way of retaining a competitive position, he says.

However, Tom Van Oss, partner at Phoenix Associates, a firm which specialises in investment industry deal-making, points out that there are two key types of acquirer. "There are the strategic acquirers and the consolidators," he says.

Strategic acquirers are those such as Commerzbank which, having no real international fund management expertise of its own, believe it is worthwhile to buy it. "Companies are prepared to pay a strategic premium to get into a business that will take years to grow into organically," he says.

On the other hand, there are the consolidators who are already in the business but are buying assets so that they may achieve economies of scale. The arithmetic of the fund management business makes size advantageous, Mr Van Oss says. A company with, say, £10bn of assets under management earning 0.5 per cent in fees will have annual revenues of £50m, but its costs might be £25m. *If it can add another £1bn in assets, its revenues* will rise by £5m but it is hardly likely to incur a similar amount in expense needed to invest those assets. Thus, once funds under management rise above a certain threshold, profit margins become fantastically attractive.

Philip Gibbs, fund management analyst at investment bank Barclays de Zoete Wedd, says that in the UK profit margins in the industry are as high as 60 per cent. Thus, it is easy to see why banks, with their profit margins on lending squeezed by rising competition and margins on securities activities fluctuating wildly from year to year, would look to fund management to augment their profit and loss accounts.

However, Mr Van Oss notes that growth in a single market cannot go on forever. Eventually, the market becomes saturated and the costs of gathering new funds in that market rise sharply.

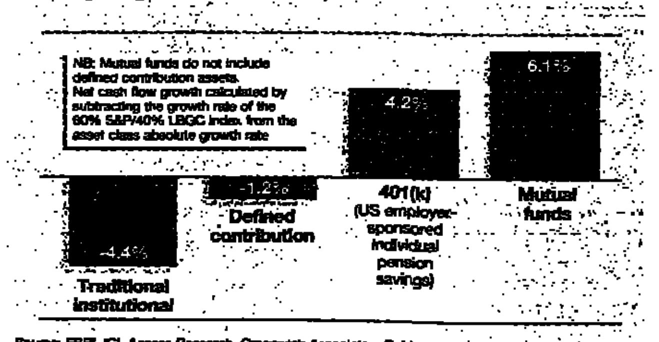
It is partly this trend which is prompting US fund managers to build their international equity investment expertise and which is driving UK fund managers, long experts in that area, into the US market. In recent years, US pension funds have roughly doubled their exposure to non-US equities and the trend has presented significant sales opportunities to UK firms.

In their home markets, however, UK fund managers are finding tougher conditions. For instance, the main distribution channel for retail funds – independent financial advisers and private client stockbrokers – are demanding a portion of the annual fund management fee in addition to the up-front front-end load. This practice in a highly competitive market means that managers earn less on their funds under management.

In the US, Goldman Sachs notes, there is a similar trend in the mutual fund market. Pension plan sponsors are limiting the number of external managers they use and fund managers are having to work harder, sometimes establishing their own *sales networks, to* attract new funds. This rising cost of fund-gathering, Mr Van Oss and others argue, is also hastening consolidation.

Goldman Sachs predicts that within five years, there will be 20 to 25 companies with at least $150bn in assets under management as well as numerous small companies which establish themselves as niche operators serving particular needs with specific products.

The growth sectors: estimated cash flow growth rate by segment in the US, 1989-1994



Source: EBRI, ICI, Access Research, Greenwich Associates, Goldman estimates

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■ **Global bonds:** by Barry Riley

The honeymoon is over

After many years of growth, global bond markets seem now to have lost their momentum

Global bond markets were recently described by Henry Kaufman, the prominent bond analyst, as "one of the great growth industries". In 25 years the dollar equivalent total of outstanding debt has risen *from some $800bn to $18,500bn*, an annual growth rate of more than 14 per cent.

Most of this growth has come from the persistent fiscal deficits of governments, first in the US but now more importantly in Europe, and in the next few years there seems bound to be a huge level of *issuance by Japan*.

Within the past 10 years or so this multicurrency torrent of paper has stimulated the growth of a breed of specialist portfolio managers. In effect, a new asset class has appeared, stimulated by the willingness of the borrowers to pay higher real interest rates than in past decades. On top of that, managers claim the ability to add incremental returns from *various kinds of active management*.

For a number of years they were successful, but many have been reeling under the impact of a very poor 18-month period between January 1994 and June 1995. The third quarter this year was better for the average fund, but serious questions are now being asked about the durability of excess *returns as the* global bond management business approaches maturity.

Much of the industry is centred on London, where it enjoys time zone advantages and the proximity of big market makers in global bonds. Several of the big US fixed income firms, such as Kemper and Fischer Francis Trees & Watts, have set up global bond units in London. Meanwhile, a number of the UK-based managers, such as Mercury Asset Management – although *traditionally biased towards* equities – have built up substantial businesses in bonds, and Swiss banks such as Julius Baer are also active in London.

US pension funds provide an important client area. According to Jon Bailie, a consultant with Frank Russell International, these so-called ERISA *funds currently have $45bn*-$50bn allocated to global bonds and this will expand to $90bn-$110bn by 2000.

There has also been an increasing commitment by UK pension funds. Estimates of their exposure to global bonds vary widely between 4 and 7 per cent of portfolios, but the *total may add up to $40bn* as an order of magnitude.

Other less well documented client pools include international insurance companies and various central banks, many of which impose secrecy on their investment activities. Estimates of the total of non-sterling bonds managed in London run up to $400bn.

London-based specialist bond managers complain that, paradoxically, the UK pension fund market is the hardest to break *into because it is sewn up by* the big balanced managers. "There have been less than a handful of genuine global bond mandates from the UK in the past year," says Les Komorowny of Kemper.

He says there is more interest at present from parts of Europe – especially Scandinavia, the Netherlands and Switzerland – and the Middle East. But the US is the biggest target for marketing, and Kemper has this month picked up an $80m global fixed income mandate from Detroit's pension plan for police officers and firefighters.

Global bond business tends to come from countries with weaker currencies or suffering from political insecurity. According to Liaquat Ahamed, *a senior London portfolio* manager at Fischer Francis, for a client in a weak currency country the global bond fund is effectively a means of diversifying central banks. But the same argument does not hold water for investors in hard currency economies.

Global bond managers seek to *add* value at several levels in their portfolios. They adjust their interest rate risk by shifting *the duration of their* portfolios. They also vary their country weightings in order to take advantage of developments in economics and politics.

And they may adopt currency weightings separately from country exposures. During the summer, for instance, the Japanese bond market stayed firm in terms of local currency, but it was essential to hedge out the yen exposure if a global bond fund was to pick up the underlying value.

Finally, when mandated to do so, managers can also seek to add return by taking extra risk when it seems appropriate, for instance by buying non-government paper or investing in debt, which is not included in the benchmark.

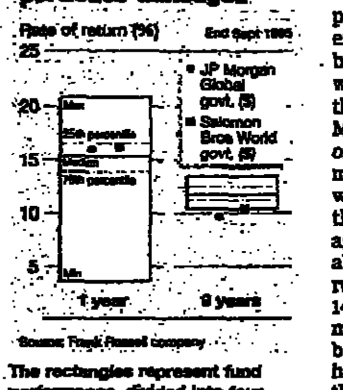
The latter will be a global total return benchmark, such as the J.P. Morgan Global Government Bond Index or the Salomon Brothers World Government Bond Index. Reflecting bonds in issue in 14 or so large, developed countries, these benchmarks set an exposure of about 40 per cent to the US and perhaps 15 per cent to Japan. Germany is about 10 per cent, the UK perhaps only 5 per cent.

But the long honeymoon period for global bond managers, when it seemed easy to beat the benchmarks, ended *with the bond market crash at* the beginning of 1994. The J.P. Morgan Index itself returned *only 1 per cent* in 1994, but many managers were caught with far too long a duration in their portfolios and the average underperformance was about 5 per cent. For some the returns were as bad as minus 14 per cent. In 1995 the bond markets have performed much better, but many managers have again struggled to match the benchmarks.

Some managers argue that the market enjoyed an unusually easy run in the late 1980s, when funds could regularly pick up return simply by being short of the dollar. Beyond that, Mr Ahamed says, the markets have become more efficient, partly because of the participation of the aggressive global hedge funds. "You have to work harder to earn the extra return," he comments.

More specifically, the recent disappointments have mostly centred on Japan, a problem which Mr Ahamed says is analogous to the upsets suffered among global equity funds when Japan acquired too high a weighting in the world equity indices at the end of the 1980s. When the yen weakened in the third quarter global bond managers breathed again, but they have more work to do to get their performance back on track.

Global fixed income portfolios-unhedged



Source: Frank Russell company

The rectangles represent fund performance, divided into four quartiles. Over nine years almost all funds have beaten the benchmarks, but over one year the majority has lagged

■ **Emerging markets:** by Barry Riley

Inching out of the Mexican shadow

Buying equities from developing countries is a logical step for international funds

It has been a bad year for the so-called emerging markets. Not only have many of the individual country markets languished, but the biggest of the developed markets – the US – has soared ahead, with the Dow Jones Average passing the 4,000 level in February and 5,000 in November.

Emerging markets started the year under the shadow of *the financial collapse of* Mexico. By the mid-summer many markets had staged a *partial recovery*. Recently there has been a relapse. Baring Securities' emerging markets World Index recently showed a fall of about 15 per cent in dollar terms for 1995 so far.

Baring Securities' head of global strategy, Michael Howell, has been strongly bullish about emerging markets for much of the year. "Global liquidity is rebounding even faster than we *thought*," he wrote in his firm's latest emerging markets study.

Much of the action has been in US technology stocks, an emerging sector within a developed economy. "We think the emerging markets will be the next to run," he predicted.

Steve Bates, a senior fund manager at Robert Fleming in London, is rather more philosophical about the recent problems: "1994 and 1995 have been dreadful, but they reflected the excesses of 1993," he says. "When you have had *two down* years you can feel better. We are now in a buyable zone."

For some managers the gyrations simply spell greater opportunities. Robert Furdak, who manages non-US equities for State Street Global Advisors in Boston, favours quantitative techniques to exploit divergences in emerging markets.

"A disciplined approach better *identifies periods* of extreme misvaluation," he argues. "It is very important to be in the *right* country at the right *time. Quantitative* techniques are suited very well to coping with the herd mentality, which is very strong in emerging markets."

The 1990s have seen enormous growth in emerging markets, focused around the bull market that peaked at the end of 1993. Steps were taken to define emerging market equities as a separate asset class with its own return and risk characteristics and its own place in global portfolios.

According to Baring Securities international investors own some $200bn (£126.5bn) of emerging market equities. UK pension funds now devote some 5 per cent of their portfolios to Asian markets in the Pacific Basin other than Japan. These investments are worth more than $30bn.

There are problems of defini*tion because* some markets in the region, Hong Kong and Singapore for instance, are wealthy modern economies which are in no sense "emerging".

The key investment bench*mark which encouraged* the development of the emerging markets concept was a series of country indices established in 1988 by the Washington-based International Finance Corporation, the private-sector affiliate of the World Bank.

There is an IFC Global series, but more significantly this boasts an "investable" subset. The latter defines the practical opportunities open to *international investors, given* that ownership restrictions on shares often apply in these markets. IFC publishes 25 or so country indices, plus regional and global indices.

Investment management houses in the UK and the US have seized the opportunity to become emerging market specialists. These *include long*-established global investors such as Templeton and Capital International of the US and Foreign & Colonial and GT in the UK. There are also many specialist boutiques.

There is a division between what might be called the "mass market" end of the business, which deals in the bigger markets tracked by the IFC, and the more determined pioneering houses which go out into the field and attempt to find neglected bargains.

These sometimes include investments in Asian and African states such as Vietnam, *Morocco* and Bangladesh. More importantly there is great interest in eastern Europe, where at present only Hungary is indexed by the IFC. It is about to extend its coverage considerably, starting with the Czech Republic.

The great attraction of emerging markets are that they offer high economic growth rates. These are often in the 6 per cent to 10 per cent range, three times as fast as many developed countries. In the early stages of their development emerging markets offer great scope for capital appreciation as their valuation basis rises from a cheap *towards a global average level*.

Against that, the volatility of returns is notoriously high. The IFC Investable Index (IFCII), despite being quite broadly diversified itself, has shown a standard deviation of 21.5 per cent since 1988 compared with 14.4 per cent for the FT/S&P World Index which covers mature markets.

Despite the ups and downs of emerging markets there is a strong theoretical case for including them in global portfolios based on the likelihood of a worthwhile return for the risk incurred. An optimum portfolio of 80 per cent of the FT/S&P World Index plus 20 per cent of the IFCII should return about 2½ per cent more a year than the World Index, but with slightly lower volatility.

Recently emerging market investment *houses* have come under pressure from more conventional managers. Flows of cash from the *US* into emerging markets in Latin America and Asia have dropped this year. *Money has been moving* into Japan instead.

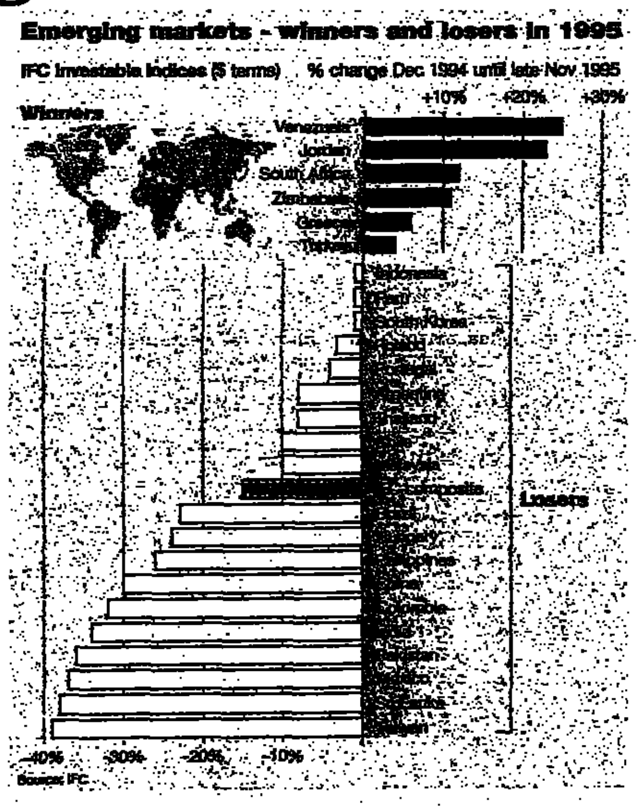
Amid the bull market in US equities, especially in the technology sector, voices have been heard questioning the assumptions behind emerging market investment. They argue that in an open global economy the big multinationals will benefit *from growth at least as much* as small domestic companies in fringe economies. Many of those multinationals are listed on Wall Street.

Meanwhile stock exchanges in countries as far afield as Mexico, India and Taiwan have skidded into nasty bear markets for a variety of financial, economic and political reasons. Alarming photographs circulated last month of Mr Vivat Srisammacheepa, a *gun-toting* Thai speculator unsuccessfully attempting to commit suicide *in front of the stock exchange* in Bangkok, where the index has fallen in local currency terms by 17 per cent since July.

There are still devotees of emerging markets investment in the US. Mr Narayan Ramachandran, investment strategist at US consultants Rogers Casey, notes that American institutions are concerned about reinvesting profits made in US equities this year.

"Sophisticated institutions need to rebalance their portfolios," he says. "A healthy way of redeploying gains is to move back into emerging market equities. We are just at the point of flux."

Emerging markets - winners and losers in 1995



Source: IFC

■ **Hedge funds:** by Philip Coggan

Mighty humbled but they're here to stay

The bully boys of the financial markets have lost some of their power

How quickly are the mighty humbled. Not long after "Black Wednesday" in September 1992, when George Soros helped force the pound out of the European Exchange Rate Mechanism, hedge funds developed a reputation as the bully boys of the financial markets.

No government could stand up to their power, it was argued, thanks to their ability to make leveraged bets against weak currencies and bond markets. The managers seemed able consistently to outperform the stock market indices, and thereby to earn performance fees sufficient to turn the head of a UK privatised utility director.

But the picture looks considerably different in 1995. One manager, Michael Steinhardt has decided to pack up completely; others, including Bruce Kovner of Caxton and Paul Tudor Jones of Tudor Investment, have returned some of their money to investors. Even Mr Soros has had to apologise to investors, describing his Quantum funds' performance in the first half of the year as "downright poor".

Across the industry, the funds have lost some of their edge. Figures from Van Hedge Fund Advisors in Nashville, Tennessee show that, in the year to September 30, US hedge *funds have returned* an average 19.5 per cent, compared with a 29.7 per cent return from the S&P 500.

In 1994, while US hedge funds overall managed a respectable 1.4 per cent gain (in line with the S&P), the macro funds sector (which includes some of the star names) declined by an average 11.6 per cent. Many managers seem to have been caught out by the rise in US interest rates in February 1994 and the sharp falls in world bond markets which followed.

However, the hedge funds have still easily beaten the S&P over five years, returning 15.8 *per cent per annum*, compared with the index's 8.7 per cent. And the industry remains enormous; Van estimates that total funds under management, including offshore funds, total $236bn.

Two problems seem to have affected the industry. The first was that growth was so fast in the early 1990s that new fund managers and new investors were dragged in; the former may not have been sufficiently experienced in assessing the risks involved in leveraged investment strategies; the latter may have been seduced by high returns in the past and were accordingly unprepared for the losses in 1994.

> The funds are blamed for the sharp moves in the dollar

The second difficulty was that some funds became so large that they were too inflexible to take advantage of the investment opportunities. Mr Kovner said, after he returned around $1.5bn to investors: "Under current market conditions, roughly $2bn in trading capital is proving unwieldy. I think that a small capital base will help us return to our historical profitability."

Furthermore, hedge funds tend to be built round a single manager with a hot reputation. *As the fund grows larger*, the manager has to learn to delegate and bring on new talent – a process which can prove difficult.

The industry is rather more diverse than might be suggested by the attention given to star names such as Steinhardt and Soros. The average fund has just $65m in assets, according to Van, and the median is even smaller, at $17m. Strategies are diverse: Van lists 14 separate categories of hedge fund, from aggressive growth to value.

Many funds, rather than hitting the investment headlines, quietly go about their original purpose, providing a service to sophisticated investors, with a minimum of $250,000 to invest.

"Market-neutral" funds, for example, are sophisticated stock-pickers, going long on favoured shares and shorting others which are expected to decline. Distressed securities funds, which Van finds have been very successful, buy equities and bonds in companies that are in, or facing, bankruptcy.

For those investors worried about the risks involved in hedge funds – after all, Askin Capital Management lost nearly all of the $600m invested with it in 1994 – there are around *250 "funds of* funds" which allow investors to spread risks across a range of styles and managers.

Partly because of the reputation of Mr Soros, partly because of their own preference for secrecy, hedge funds have become the subject of much rumour and speculation in the financial markets. *It is* easy for traders to use "hedge funds" as a catch-all explanation for sudden market movements – the funds have been cited as being behind the recent sharp moves in the dollar, for example.

Such were the political fears about the high risks taken by the hedge fund industry that the US house banking committee held hearings in April 1994 to investigate the dangers posed by the funds to the banking system. However, manag*ers say they use much less* leverage than a few years ago; gearing of more than two times is now rare.

Hedge funds are here to stay. Reputations will rise and fall; some managers will give up; a few will go bust. In future economic crises, they will no doubt take the blame for bringing down a currency.

But there will always be a demand for managers who can deliver exceptional returns, and hedge funds have so far shown the ability to achieve them.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 1 / Sch)

BELGIUM/LUXEMBOURG (Dec 1 / Frs.)

CZECH REP (Dec 1 / Koruna)

DENMARK (Dec 1 / Kr)

FINLAND (Dec 1 / Mkt)

FRANCE (Dec 1 / Frs.)

GREECE (Dec 1 / Drachmas)

ITALY (Dec 1 / Lire)

GERMANY (Dec 1 / Dm.)

NETHERLANDS (Dec 1 / Fls.)

NORWAY (Dec 1 / Kroner)

POLAND (Dec 1 / Zloty)

PORTUGAL (Nov 30 / Escudo)

SPAIN (Dec 1 / Pts.)

SWEDEN (Dec 1 / Kronor)

SWITZERLAND (Dec 1 / Frs.)

TURKEY (Dec 1 / Tk Lira)

PACIFIC

JAPAN (Dec 1 / Yen)

HONG KONG (Dec 1 / H.K.$)

INDONESIA (Dec 1 / Rupiah)

MALAYSIA (Dec 1 / MYR)

NEW ZEALAND (Dec 1 / NZ $)

SINGAPORE (Dec 1 / S$)

AUSTRALIA (Dec 1 / Aust$)

SOUTH KOREA (Dec 1 / Won)

TAIWAN (Dec 1 / TW $)

THAILAND (Dec 1 / Baht)

AFRICA

SOUTH AFRICA (Dec 1 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 1 / Can $) 4 pm close

MONTREAL (Dec 1 / Can $) 4 pm close

INDICES

	Dec 1	Nov 30	Nov 29	1995 High		1995 Low	
Argentina							
General (29/12/77)	14877.65	15052.60	15070.73	18531.10	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2163.3	2158.8	2160.0	2168.00	18/9	1823.30	8/2
All Mining(1/1/80)	992.6	988.6	999.8	1029.50	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	339.67	335.94	339.50	385.42	2/1	328.50	27/10
Traded Index(2/1/91)	967.68	940.17	930.46	1058.31	3/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1510.87	1490.30	1481.01	1510.87	1/12	1271.53	9/3
Brazil							
Bovespa (29/12/83)	43460.0	43786.0	41825.0	48612.00	19/9	21382.00	9/3
Canada							
Metals Minls♦(1975)	5114.24	5148.15	5152.90	5288.37	23/11	3806.63	1/3
Composite♦ (1975)	4674.00	4661.18†	4670.80	4710.30	12/7	3991.41	30/1
Portfolio§§ (4/1/83)	2290.86	2285.86†	2296.63	2307.81	12/7	1953.36	30/1
Chile							
IGPA Gen♥(31/12/80)	5608.4	5565.2	5556.3	6363.10	11/7	4578.90	9/3
Denmark							
CopenhagenSE(3/1/83)	363.21	361.52	358.43	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1920.07	1912.03	1930.96	2332.22	14/9	1556.30	29/3
France							
SBF 250 (31/12/90)	1212.04	1215.23	1230.93	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1820.91	1829.28	1857.33	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	809.24	802.12	806.77	848.76	19/9	768.87	30/3
Commerzbank(1/12/53)	2336.1	2314.0	2327.9	2427.80	19/9	2018.70	30/3
DAX (30/12/87)‡	2260.66	2242.83	2245.62	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	901.92	885.19	876.11	992.58	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9862.55	9813.34	9617.32	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3037.99	2994.29	2922.16	3932.09	2/1	2922.16	29/11
Indonesia							
Jakarta Comp.(10/8/82)	486.72	481.73	478.63	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2230.39	2215.18	2198.33	2242.08	21/11	1813.69	23/1
Italy							
Banca Comm Ital (1972)	555.81	552.77	557.40	680.54	10/2	552.77	30/11
MIB General (2/1/95)	878.0	874.0	881.0	1076.00	10/2	874.00	30/11
Japan							
Nikkei 225 (16/5/49)	18833.10	18744.42	18533.98	19884.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	281.44	278.28	274.88	286.16	4/1	222.26	13/6
Topix (4/1/68)	1497.65	1482.21	1464.31	1658.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1944.23	1917.44	1904.86	2130.88	4/1	1441.98	13/6
Malaysia							
KLSE Comp.(4/4/86)	975.54	951.69	949.86	1085.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2689.00	2724.50	2724.50	29/11	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	518.9	518.5	518.1	518.90	1/12	422.80	23/3
CBS All Shr (End 83)	314.2	314.0	313.7	314.20	1/12	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2142.76	2140.45	2152.63	2208.02	20/10	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1239.35	1237.36	1235.31	1292.16	18/10	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2467.14	(c)	2442.16	2988.12	10/7	2186.48	20/11
Portugal							
BTA (1977)	(c)	2478.8	2479.5	2911.60	9/1	2412.90	22/11
Singapore							
SES All-S'pore(2/4/75)	518.59	519.13	518.06	536.06	5/1	472.89	23/1
South Africa							
JSE Gold (28/9/78)	1277.8♥	1298.9	1323.6	2023.00	2/1	1250.20	30/10
JSE Indl. (28/9/78)	7633.9♥	7623.0	7614.7	7715.50	20/11	6222.00	31/1
South Korea							
KoreaCmpEx(4/1/80)**	939.00	930.92	948.31	1027.37	2/1	847.89	27/5
Spain							
Madrid SE (30/12/85)	314.54	311.80	311.49	318.98	13/9	284.08	23/3
Sweden							
AffarsvarldsGen (1/2/37)	1745.4	1740.9	1734.9	1872.10	19/9	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1503.60	1496.84	1495.77	1503.60	1/12	1174.63	13/3
SBC General (1/4/87)	1115.74	1110.92	1109.46	1115.74	1/12	878.68	13/3
Taiwan							
WeightedPr.(30/6/66)**	4809.94	4777.20	4700.88	7051.49	5/1	4583.37	14/8
Thailand							
Bangkok SET (30/4/75)	1225.31	1198.62	1198.59	1472.84	10/7	1135.89	18/3
Turkey							
Istanbul Cmp.(Jan 1986)	39337.1	39113.6	37757.8	54853.90	21/4	24844.31	23/1
WORLD							
MS Capital Int (1/1/70)$	717.9*	714.5	714.2	717.90	1/12	686.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1457.98	1454.02	1461.76	1488.89	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1313.20	1309.75	1309.15	1316.68	15/9	1117.34	9/3
JCapelDrgns (31/12/88)	(u)	328.73	325.34	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	143.16	141.36	139.78	158.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Dec	1837.0	1824.0	-9.0	1845.0	1814.0	18,582	45,208
Jan	1843.0	1832.5	-8.5	1851.5	1827.0	760	1,478
DAX							
Dec	2260.0	2267.5	+9.5	2272.0	2254.0	15,777	–
Mar	2281.5	2288.5	+10.5	2292.5	2278.0	727	–
OMX							
Dec	1385.00	1382.25	+0.25	1385.75	1380.00	2,614	14,388
Jan	1394.00	1394.00	+6.50	1396.00	1392.50	190	240
SOFFEX							
Dec	3259.8	3268.0	+13.5	3269.0	3256.0	3,312	13,292
Jan	3264.0	3275.9	+19.9	3275.9	3264.0	280	1,159

** Sat Nov 25: Taiwan Weighted Price 4863.61; Korea Comp Ex 842.50. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp/Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 1 - 2266.56 +11.61.

US INDICES

Dow Jones	Dec 1	Nov 30	Nov 29	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5087.13	5074.49	5105.56	5105.56 (29/11)	3832.08 (30/1)	5105.56 (29/11/95)	41.22 (2/7/32)
Home Bonds	104.93	104.65	104.53	104.93 (1/12)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2082.25	2070.32	2077.20	2082.25 (1/12)	1473.19 (3/1)	2082.25 (1/12/95)	12.32 (8/7/32)
Utilities	216.12	215.79	216.78	219.89 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5133.02 (5143.13) Low 5038.36 (5053.17) (Theoretical♣)
Day's high 5107.00 (5118.93) Low 5073.41 (5074.49) (Actual♣)

Standard and Poors	Dec 1	Nov 30	Nov 29	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	606.98	605.37	607.64	607.66 (29/11)	459.11 (3/1)	607.66 (29/11/95)	4.40 (1/6/32)
Industrials♥	712.17	711.57	714.47	714.47 (29/11)	546.28 (3/1)	714.47 (29/11/95)	3.62 (21/6/32)
Financial	61.97	61.46	61.23	61.97 (1/12)	41.64 (3/1)	61.97 (1/12/95)	8.64 (1/10/74)
NYSE Comp.	324.43	323.59	323.99	324.43 (1/12)	250.73 (3/1)	324.43 (1/12/95)	4.46 (25/4/42)
Amex Mkt Val	536.64	537.37	533.03	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1055.31	1059.22	1057.57	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

RATIOS

	Nov 24	Nov 17	Nov 10	Year ago
Dow Jones Ind. Div. Yield	2.32	2.35	2.39	2.87
	Nov 29	Nov 22	Nov 15	Year ago
S & P Ind. Div. yield	2.00	2.01	2.03	2.46
S & P Ind. P/E ratio	18.64	18.36	18.37	16.42

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Vodafone	18,360,700	35½	-¼
K-Mart	8,138,100	8¼	+¼
Magma Cppr	6,780,300	27¾	+6¾
Hanson	6,074,600	14⅛	-1
Motorola	5,715,200	60¾	-⅞
Telefonos	5,234,300	33¼	+⅛
Micron	5,032,300	51⅞	-2⅜
Office Depot	4,068,000	23¾	-⅛
All Ent	4,022,000	10¾	+1⅜
Humana	3,834,100	27⅛	-⅛

TRADING ACTIVITY

● Volume (million)	Dec 1	Nov 30	Nov 29
New York SE	392.658	439.480	398.243
Amex	22.420	22.849	18.905
NASDAQ	(a)	567.087	546.279
NYSE			
Issues Traded	3,082	3,082	3,084
Rises	1,400	1,363	1,342
Falls	928	1,009	937
Unchanged	754	710	805
New Highs	205	218	193
New Lows	29	27	19

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
S&P 500							
Dec	607.25	608.30	+1.05	609.40	605.90	85,414	179,522
Mar	613.70	613.80	+1.05	615.00	611.30	20,139	43,622
Nikkei 225							
Dec	18730.0	18960.0	+200.0	18990.0	18690.0	26,952	134,668
Mar	18850.0	18990.0	+180.0	19010.0	18720.0	26,453	87,210

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Friday, December 1, 1995

	Stocks Traded	Closing Prices	Change on day
Mitsui Min & Sml	12.0m	425	+12
Nissho Iwai	10.5m	545	+24
NKK Corp	10.1m	284	+4
Nippon Koshuha Stl	9.9m	528	-17
Nippon Steel Corp	7.5m	357	+7
Mitsubishi Matl	6.8m	528	+14
Mitsubishi Hvy	6.6m	823	+12
Toshiba Corp	5.5m	754	+21
Toho Zinc Co	5.3m	724	+35
Daido Kogyo	4.5m	826	+49

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex-dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5647	+0.0103	579 - 714	15.6177	15.5494	15.5343	2.3	15.4757	2.3	-	-	106.5
Belgium	(BFr)	45.5138	+0.1029	850 - 426	45.6210	45.2220	45.4088	2.8	45.2138	2.6	44.4288	2.4	109.1
Denmark	(DKr)	8.5631	+0.0055	588 - 673	8.5930	8.5540	8.5565	1.1	8.5389	1.1	8.4764	1.0	109.2
Finland	(FM)	6.5773	+0.0088	712 - 834	6.6070	6.5660	6.5729	0.8	6.5648	0.8	-	-	88.2
France	(FFr)	7.6481	+0.0299	421 - 501	7.6760	7.6316	7.6427	0.5	7.655	-0.5	7.6517	-0.1	109.7
Germany	(DM)	2.2120	+0.0015	111 - 129	2.2209	2.2082	2.2072	2.6	2.1975	2.6	2.1688	2.5	111.4
Greece	(Dr)	383.997	+0.297	791 - 203	385.559	383.138	-	-	-	-	-	-	66.7
Ireland	(I£)	0.9659	-0.0003	651 - 667	0.9671	0.9650	0.9651	1.0	0.9638	0.9	0.9606	0.8	97.4
Italy	(L)	2453.49	+7.1	201 - 497	2455.97	2440.08	2460.74	-3.5	2475.64	-3.6	2543.79	-3.7	70.9
Luxembourg	(LFr)	45.5138	+0.1029	850 - 426	45.6210	45.2220	45.4088	2.8	45.2138	2.6	44.4288	2.4	109.1
Netherlands	(Fl)	2.4776	+0.0035	762 - 789	2.4873	2.4728	2.4719	2.7	2.4607	2.7	2.415	2.5	109.1
Norway	(NKr)	9.7356	-0.0035	295 - 416	9.7817	9.7248	9.7232	1.5	9.7013	1.4	9.6258	1.1	98.1
Portugal	(Es)	231.802	+0.22	672 - 931	232.600	231.295	232.342	-2.8	233.562	-3.0	-	-	95.1
Spain	(Pta)	188.757	+0.59	668 - 846	189.112	188.233	189.257	-3.2	190.197	-3.1	194.597	-3.1	81.7
Sweden	(SKr)	10.0230	-0.0167	149 - 310	10.0546	9.9981	10.0252	-0.3	10.0297	-0.3	10.0531	-0.3	88.8
Switzerland	(SFr)	1.7983	+0.0031	973 - 993	1.8058	1.7940	1.7912	4.7	1.7793	4.2	1.7284	4.0	114.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.6
Ecu	-	1.1989	-0.0007	984 - 993	1.2030	1.1963	1.1979	1.0	1.1959	1.0	1.1874	1.0	-
SDR†	-	1.03253	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5301	+0.0008	296 - 305	1.5332	1.5259	-	-	-	-	-	-	-
Brazil	(R$)	1.4788	+0.0012	784 - 792	1.4818	1.4751	-	-	-	-	-	-	-
Canada	(C$)	2.0899	+0.013	890 - 907	2.0921	2.0792	2.091	-0.6	2.093	-0.6	2.0968	-0.3	85.9
Mexico	(New Peso)	11.6567	+0.1625	310 - 823	11.6884	11.5441	-	-	-	-	-	-	-
USA	($)	1.5308	+0.0013	304 - 311	1.5340	1.5265	1.5298	0.8	1.5282	0.7	1.52	0.7	94.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0715	+0.0143	703 - 727	2.0735	2.0567	2.0728	-0.8	2.0756	-0.8	2.0904	-0.9	85.2
Hong Kong	(HK$)	11.8424	+0.0116	389 - 458	11.8660	11.8102	11.8389	0.4	11.8264	0.5	11.7928	0.4	-
India	(Rs)	53.4309	+0.059	804 - 813	53.5840	53.2980	-	-	-	-	-	-	-
Israel	(Shk)	4.7162	+0.0128	133 - 231	4.7331	4.7097	-	-	-	-	-	-	-
Japan	(Y)	155.111	-0.179	999 - 223	156.530	154.640	154.251	6.7	152.456	6.8	145.411	6.2	142.7
Malaysia	(M$)	3.8785	-0.0003	768 - 801	3.8913	3.8704	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3581	+0.0156	566 - 595	2.3600	2.3406	2.364	-3.0	2.3733	-2.6	2.3969	-1.7	100.7
Philippines	(Peso)	40.0658	+0.0358	567 - 148	40.1500	39.9833	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7414	+0.005	393 - 435	5.7533	5.7282	-	-	-	-	-	-	-
Singapore	(S$)	2.1653	+0.0079	640 - 665	2.1667	2.1584	-	-	-	-	-	-	-
South Africa	(R)	5.6110	+0.0023	089 - 130	5.6290	5.6023	-	-	-	-	-	-	-
South Korea	(Won)	1178.29	-0.42	764 - 895	1182.63	1175.41	-	-	-	-	-	-	-
Taiwan	(T$)	41.6622	+0.0877	335 - 909	41.9319	41.7650	-	-	-	-	-	-	-
Thailand	(Bt)	38.5137	+0.0314	896 - 378	38.6150	38.4220	-	-	-	-	-	-	-

† Rates for Nov 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.1690	-0.0016	659 - 701	10.2090	10.1650	10.1529	1.8	10.1227	1.8	10.0135	1.5	106.4
Belgium	(BFr)	29.7330	+0.043	210 - 450	29.8200	29.6050	29.692	1.7	29.613	1.6	29.313	1.4	105.6
Denmark	(DKr)	5.5940	-0.001	925 - 955	5.6168	5.5880	5.5948	-0.2	5.5905	0.3	5.6	-0.1	108.4
Finland	(FM)	4.2968	+0.0022	938 - 998	4.3156	4.2880	4.2964	0.1	4.2953	0.1	4.2905	0.1	87.3
France	(FFr)	4.9950	+0.0155	935 - 965	5.0275	4.9822	4.9936	0.3	4.9922	0.2	4.9838	0.1	109.3
Germany	(DM)	1.4451	-0.0002	448 - 453	1.4517	1.4430	1.4431	1.7	1.4389	1.7	1.4233	1.5	110.6
Greece	(Dr)	237.790	-	710 - 870	239.030	237.170	239.515	-8.7	242.715	-8.3	255.19	-7.7	66.0
Ireland	(I£)	1.5848	+0.0018	838 - 858	1.5870	1.5795	1.585	-0.1	1.5851	-0.1	1.5916	-0.4	-
Italy	(L)	1602.80	+3.33	220 - 340	1606.31	1595.50	1609.55	-5.1	1621.6	-4.7	1678.8	-4.7	70.6
Luxembourg	(LFr)	29.7330	+0.043	210 - 450	29.8200	29.6050	29.692	1.7	29.613	1.6	29.313	1.4	105.6
Netherlands	(Fl)	1.6185	+0.0009	180 - 190	1.6260	1.6158	1.6159	2.0	1.6109	1.9	1.5906	1.7	108.4
Norway	(NKr)	6.3600	-0.0075	575 - 625	6.3870	6.3545	6.3563	0.7	6.35	0.6	6.34	0.3	97.0
Portugal	(Es)	151.450	+0.02	380 - 480	152.060	151.200	151.895	-3.7	152.905	-3.9	157.55	-4.0	95.1
Spain	(Pta)	123.310	+0.285	280 - 340	123.670	123.170	123.69	-3.7	124.46	-3.7	127.955	-3.8	81.3
Sweden	(SKr)	6.5478	-0.0153	440 - 515	6.5789	6.5370	6.5652	-3.2	6.6018	-3.3	6.7703	-3.4	87.7
Switzerland	(SFr)	1.1748	+0.0011	744 - 752	1.1800	1.1721	1.1712	3.7	1.1651	3.3	1.1373	3.2	114.3
UK	(£)	1.5308	+0.0013	304 - 311	1.5340	1.5265	1.5298	0.8	1.5282	0.7	1.52	0.7	82.0
Ecu	-	1.2769	+0.0018	767 - 770	1.2783	1.2717	1.2773	-0.4	1.278	-0.3	1.2803	-0.3	-
SDR†	-	0.67288	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0003	995 - 996	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9661	-	660 - 661	0.9662	0.9660	-	-	-	-	-	-	-
Canada	(C$)	1.3653	+0.0074	650 - 655	1.3670	1.3609	1.3669	-1.5	1.37	-1.4	1.3823	-1.2	83.3
Mexico	(New Peso)	7.6150	+0.1	000 - 300	7.6300	7.6000	7.6173	-0.4	7.6204	-0.3	7.6255	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3532	+0.0082	528 - 537	1.3543	1.3473	1.355	-1.8	1.3580	-1.6	1.3783	-1.9	86.5
Hong Kong	(HK$)	7.7363	+0.0012	358 - 368	7.7372	7.7355	7.7378	-0.2	7.7398	-0.2	7.76	-0.3	-
India	(Rs)	34.9050	+0.07	800 - 300	34.9850	34.8800	35.055	-5.2	35.36	-5.2	36.83	-5.5	-
Israel	(Shk)	3.0823	+0.0059	798 - 848	3.0923	3.0750	-	-	-	-	-	-	-
Japan	(Y)	101.330	-0.2	280 - 380	102.200	101.250	100.835	5.9	99.915	5.6	96.04	5.2	142.8
Malaysia	(M$)	2.5337	-0.0023	332 - 342	2.5392	2.5328	2.5337	0.0	2.5341	-0.1	2.5417	-0.3	-
New Zealand	(NZ$)	1.5404	+0.009	399 - 411	1.5420	1.5333	1.5445	-3.2	1.552	-3.0	1.5767	-2.4	-
Philippines	(Peso)	26.1870	+0.002	740 - 000	26.2000	26.1740	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0002	502 - 512	3.7515	3.7502	3.7513	-0.2	3.7521	-0.1	3.7563	-0.1	-
Singapore	(S$)	1.4145	+0.004	140 - 150	1.4155	1.4116	1.4111	2.9	1.4048	2.9	1.38	2.4	-
South Africa	(R)	3.6655	-0.0015	650 - 660	3.6705	3.6650	3.6908	-8.3	3.7409	-8.2	3.972	-8.4	-
South Korea	(Won)	769.750	-0.9	500 - 000	771.600	769.400	772.75	-4.7	776.25	-3.4	794.75	-3.2	-
Taiwan	(T$)	27.3475	+0.035	350 - 600	27.3610	27.3240	27.3675	-0.9	27.4075	-0.9	-	-	-
Thailand	(Bt)	25.1600	-	500 - 700	25.1800	25.1500	25.2475	-4.2	24.895	4.2	26.115	-3.8	-

† SDR rate per $ for Nov 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 30: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.80	-	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.80	-	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	[illegible]
week ago	4	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	[illegible]
Switzerland	2	[illegible]	[illegible]	2	[illegible]	5.00	2.00	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	[illegible]
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.31	5.44	5.40	5.29	-	-	-
week ago	-	5.31	5.47	5.43	5.41	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	7 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.26	94.28	+0.02	94.30	94.27	47,032	[illegible]
Mar	94.68	94.70	+0.02	94.72	94.66	91,500	[illegible]
Jun	94.70	94.81	+0.02	94.83	94.78	91,274	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.73	94.74	+0.01	94.75	94.72	945	[illegible]
Mar	95.12	95.13	+0.03	95.14	95.11	2,195	[illegible]
Jun	95.22	95.24	+0.02	95.25	95.20	44	[illegible]

All Open interest figs. are for previous day

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	1995 Low	Stock	Closing price p	+or-
34	Nil	19/12	7pm	6pm	Allied Leisure	7pm	[illegible]
60	Nil	5/1	33pm	23pm	Cordiant	30½pm	[illegible]
100	Nil	8/12	16pm	13pm	Freeport Leisure	13pm	[illegible]
210	Nil	2/1	38pm	33pm	Mayborn	38pm	[illegible]
155	Nil	8/1	53pm	32pm	Pilkington	37pm	[illegible]
3	Nil	15/1	2½pm	¼pm	Roxspur	¼pm	[illegible]
97	Nil	18/12	16pm	8pm	Sunset & Vine	10pm	[illegible]

pm premium.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.80	4.860	2.123	5390	5.445	21.39	509.3	414.9	22.02	3.951	2.197	4.592	3.364	340.8	2.635
Denmark	(DKr)	53.15	10	8.929	2.583	1.128	2865	2.894	11.37	270.7	220.5	11.70	2.100	1.168	2.441	1.788	181.1	1.400
France	(FFr)	59.52	11.20	10	2.893	1.263	3208	3.241	12.73	303.2	246.9	13.10	2.352	1.308	2.733	2.002	202.8	1.568
Germany	(DM)	20.57	3.871	3.457	1	0.437	1109	1.120	4.401	104.8	85.35	4.530	0.813	0.452	0.945	0.692	70.12	0.542
Ireland	(I£)	47.11	8.864	7.915	2.290	1	2539	2.565	10.08	240.0	195.4	10.37	1.861	1.035	2.164	1.585	160.6	1.241
Italy	(L)	1.855	0.349	0.312	0.090	0.039	100.	0.101	0.397	9.450	7.697	0.408	0.073	0.041	0.085	0.062	6.323	0.049
Netherlands	(Fl)	18.37	3.456	3.086	0.893	0.390	989.9	1	3.928	93.54	76.19	4.044	0.726	0.404	0.843	0.618	62.59	0.484
Norway	(NKr)	46.74	8.795	7.853	2.272	0.992	2520	2.545	10	238.1	193.9	10.29	1.847	1.027	2.147	1.573	159.3	1.232
Portugal	(Es)	19.63	3.694	3.299	0.954	0.417	1058	1.069	4.200	100.	81.45	4.323	0.776	0.431	0.902	0.660	66.91	0.517
Spain	(Pta)	24.10	4.535	4.050	1.172	0.512	1299	1.313	5.157	122.8	100.	5.307	0.952	0.530	1.107	0.811	82.15	0.635
Sweden	(SKr)	45.42	8.546	7.631	2.208	0.964	2448	2.473	9.717	231.3	188.4	10	1.794	0.998	2.086	1.528	154.8	1.197
Switzerland	(SFr)	25.31	4.763	4.253	1.230	0.537	1364	1.378	5.415	128.9	105.0	5.573	1	0.556	1.162	0.852	86.26	0.667
UK	(£)	45.51	8.563	7.646	2.212	0.966	2453	2.478	9.736	231.8	188.8	10.02	1.798	1	2.090	1.531	155.1	1.199
Canada	(C$)	21.78	4.097	3.658	1.058	0.462	1174	1.186	4.658	110.9	90.33	4.794	0.860	0.478	1	0.733	74.21	0.574
US	($)	29.73	5.593	4.994	1.445	0.631	1602	1.619	6.359	151.4	123.3	6.545	1.174	0.653	1.365	1	101.3	0.783
Japan	(Y)	29.34	5.521	4.930	1.426	0.623	1582	1.598	6.277	149.5	121.7	6.460	1.159	0.645	1.348	0.987	100.	0.773
Ecu		37.96	7.142	6.377	1.845	0.806	2046	2.067	8.120	193.3	157.5	8.357	1.500	0.834	1.743	1.277	129.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.6911	0.6920	+0.001	0.6943	0.6897	32,463	63,694
Mar	0.6946	0.6951	+0.001	0.6972	0.6915	1,839	7,382
Jun	0.6979	0.6980	+0.001	0.6985	0.6979	434	830

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.8517	0.8502	-	0.8546	0.8486	21,726	38,476
Mar	0.8580	0.8578	-0.0002	0.8620	0.8565	1,370	6,250
Jun	0.8651	0.8646	-0.0005	0.8683	0.8650	24	530

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.9918	0.9901	+0.0066	0.9920	0.9806	22,081	60,761
Mar	0.9992	1.0035	+0.0067	1.0048	0.9990	2,919	11,533
Jun	1.0100	1.0160	+0.0068	1.0155	1.0100	3	475

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	1.5324	1.5298	-0.001	1.5370	1.5258	10,206	48,300
Mar	1.5270	1.5276	-0.001	1.5350	1.5236	1,572	3,809
Jun	-	1.5246	-0.001	1.5290	1.5210	8	18

■ Pound in New York

Dec 1	—Close —	— Prev. close —
£ spot	1.5315	1.5320
1 mth	1.5305	1.5310
3 mth	1.5280	1.5285
1 yr	1.5206	1.5207

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.520	1.70	2.51	3.17	0.66	1.50	2.32
1.530	1.12	1.94	2.68	1.08	1.96	2.74
1.540	0.69	1.50	2.26	1.68	2.51	3.30
1.550	0.39	1.12	1.86	2.36	3.09	3.89
1.560	0.20	0.82	1.52	3.11	3.78	4.54
1.570	0.08	0.58	1.22	3.98	4.54	5.23

Previous day's vol., Calls 13,436 Puts 12,831. Prev. day's open int., Calls 254,126 Puts 290,121

BANK RETURN

BANKING DEPARTMENT	Wednesday November 29, 1995	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,190,104,700	+361,358,806
Bankers' deposits	1,732,495,046	-118,798,837
Reserve and other accounts	3,175,630,260	-700,115,303
	6,112,783,006	-457,553,334
Assets		
Government securities	2,711,042,581	+1,629,720,000
Advance and other accounts	2,316,669,219	-2,597,538,374
Premises, equipment and other secs	1,072,468,491	+506,983,092
Notes	12,450,950	+3,292,501
Coin	152,767	+9,447
	6,112,783,006	-457,553,334
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	19,737,549,050	+206,707,499
Notes in Banking Department	12,450,950	+3,292,501
	19,750,000,000	+210,000,000
Assets		
Other Government securities	14,706,444,896	+1,172,482,313
Other Securities	5,043,555,104	-962,482,313
	19,750,000,000	+210,000,000

UK INTEREST RATES

LONDON MONEY RATES

Dec 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 6	7 - 6¾	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6½
Discount Market deps	7 - 6¾	7 - 6⅞	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.2358pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1995. Agreed rate for period Dec 26, 1995 to Jan 25, 1996, Schemes II & III 7.98pc. Reference rate for period Nov 1, 1995 to Nov 30, 1995, Schemes IV & V 6.726pc. Finance House Base Rate 7pc from November 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 1	Nov 24		Dec 1	Nov 24
Bills on offer	£1500m	£1500m	Top accepted rate	6.2571%	6.3776%
Total of applications	£5580m	£5880m	Ave. rate of discount	6.2358%	6.3758%
Total allocated	£1500m	£1500m	Average yield	6.3343%	6.4788%
Min. accepted bid	£98.440	£98.410	Offer at next tender	£1500m	£1500m
Allotment at min. level	23%	83%	Min. accept. bid 182 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	• Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
• In administration

FT GOLD MINES INDEX

	Dec 1	% chg since 30/12/94	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (36)	1863.81	-5.7	46.75	100.00	1.98	-	2083.86	1637.91
■ Regional Indices								
Africa (16)	2392.70	-26.9	12.59	26.94	4.26	20.96	3191.21	2272.74
Australasia (8)	2361.88	-3.8	5.99	12.80	2.09	36.88	2607.57	1783.20
North America (12)	1665.39	+7.8	28.17	60.25	0.81	47.56	1931.00	1342.18

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div	Div. cov.	Grs yld	P/E net
100	F.P.	24.5	99	98	Abtrust High Inc C	98		-	-	-	-
-	F.P.	2.13	10	9	†Anon Props	9		-	-	-	-
306	F.P.	47.9	301	285	BZW Eqs Bermuda	295		-	-	-	-
-	F.P.	61.8	103	101	Benfield & Rea	103		-	-	-	-
290	F.P.	216.4	348½	298	CMG	338		Rv4.8	1.2	1.8	17.5
-	F.P.	26.0	27	26	Cash Converters	26		Mv2.6	5.1	12.5	19.4
-	F.P.	54.1	110	108	Cox Insurance	110		-	-	-	-
60	F.P.	3.68	71	65	†David Glass	68	+2	Rh2.88	2.4	5.3	9.7
-	F.P.	13.2	448	448	East Surrey NV	448		-	-	-	-
-	F.P.	16.0	146	125	Gardner (L)	143	-2	-	-	-	-
125	F.P.	30.6	171	128	Heritage Bath	171	+5	-	-	-	-
-	F.P.	25.1	121	96½	Hoare Govett SI C	98½		-	-	-	-
-	F.P.	4.20	118	88	Jeemin	103	-3	-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	32.0	95½	93½	Martin Currie Jp	94		-	-	-	-
-	F.P.	2.07	33	29	Do Warrants	30½	+½	-	-	-	-
200	F.P.	85.1	260	200	Peptide Th'peutics	251	+13	-	-	-	-
-	F.P.	30.0	125	125	Premium Undrtg C	125		-	-	-	-
-	F.P.	-	105	100	†Revelation P'dilly	100	-5	-	-	-	-
-	F.P.	138.6	99	95	Schroder Asia Pc	99		-	-	-	-
-	F.P.	86.1	217	173	Tom Cobleigh	216	+1	uN2.7	2.2	1.6	35.1
-	F.P.	185.7	44	36	†Trocadero	44	+1	-	-	-	-
-	F.P.	184.6	280	263	Vero Group	272	-3	RWN5.1	1.8	2.3	30.0

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 14pc 1996		101	-.1	770	Jy22 Ja22	15.6	1305
15¼pc 1996‡‡		[illegible]	-.1	1,150	Mr3 My3	27.9	1369
Exch 13¼pc 1996‡‡		[illegible]	-.1	800	Mr15 My15	9.10	1266
Conversion 10pc 1996		103½	-	3,409	My15 Nv15	9.10	1240
Treas 13¼pc 1997‡‡		[illegible]	-	1,290	Jy22 Ja22	15.6	1302
Exch 10½pc 1997		[illegible]	0.1	3,700	Au21 Fe21	17.7	1253
Treas Cnv 7pc 1997‡‡		[illegible]	0.2	1,988	Fe6 Au6	30.6	4401

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	1995 High	1995 Low
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Govt Secs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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Citicorp Investment Mgmt (Luxembourg) SA

Citimarkets SA

Clan European Asset Value Fund

Clemente Korea Emerging Growth Fund

Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Monterey Trust SICAV

Morgan Stanley Sicav

Abtrust International Ltd

Albany International Assurance Ltd

Royal Life International

Royal Skandia Life Assurance Ltd (z)

Canaco Investment Management Ltd

Capital International

Cathay Investment Fund Limited

Chameleon Funds Limited

Chescor Indian Investment Company Ltd

The China Fund

The China Invest & Development Fd Ltd

Citibank Global Asset Mgmt (Asia) Ltd

Citizens Investment Trust Mgt Co Ltd

Claridon Bank

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cw 2nd Pf		90½	—	8%	—	Jan Dec	11'94	1757
Cater Allen	♣†v	449	-3.5	30.0	2.2	Jan Aug	3.7	2061
Close Bros	♣qv□	320	1.3	8.7	2.5	Apr Nov	9.10	2166
Gerrard & Nat	♣v	493xd	-2	22.5	1.3	Jul Dec	13.11	2886
Hambros	v□	201xd	0.2	7.5	—	Aug Dec	27.11	2812
7½pc Cv Pf		97	—	7½%	—	Oct Apr	4.9	4398
Joseph (L)	♣†v	469	—	18.75	1.0	Sep Jan	17.7	3060
King & Shaxson	♣v□	137	17.1	9.0	1.4	Jan Jul	26.6	3088
Rea Brothers	♣v	45	—	1.0	2.4	May Sep	14.8	3785
Schroders	♣†mv□	1333	2.1	14.77	5.1	May Oct	18.9	3939
N/V	†w	1135	2.9	14.17	5.1	May Oct	18.9	3941
Singer & Fried	♣†v□	110	—	3.7	2.7	Nov Jan	25.9	4028
8½pc Cv Ln 09/14		£138¼	0.4	08½%	—	—	19.10	4045
Union	♣v□	112	0.9	3.0	—	Apr Aug	31.7	4353
Wintrust	♣v	268	-3.6	11.35	1.5	Mar Oct	28.8	4924

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	£29¼	2.0	064%	2.1	Sep May	9'93	—
ANZ A$		282	4.7	033c	ϕ	Jan Jul	12'93	—
Abbey National	♣†v□	650	6.9	19.3	2.6	May Oct	7.8	5411
Allied Irish I£	♣†□	359	-8	058%	3.1	Sep Apr	7.8	1354
Anglo Irish I£	□	65xd	0.1	017.4%	ϕ	Jan Jul	27.11	1366
Asahi Y	□	787¼	5.5	014%	1.3	Jan Dec	12'92	3049
Banco Bil Viz Pta	□	£21⅝	2.7	027.2%	2.7	JyOcJaAp	7'93	—
Banco Sant Pta		£31⅛	2.5	033.6%	1.1	JyOcJaAp	2.5	—
Bk Ireland I£	†v□	476xd	0.6	018½%	3.9	Jan Jul	20.11	1360
Bank Scotland	♣†v□	285xd	4.8	6.14	3.7	Jul Dec	16.10	1742

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

Trans Can Pipe ♥	8⅝	1.8	84c	JaApJyOc	12/93	–	

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31⅛		0478c	2.4	Oct Apr	3/93	–
Barlow	♣	597½	1.8	Q84c	ф	Jan Jul	19.6	–
Gold Flds Prop R		164	1.3	Q80c	2.1	Feb Sep	1/94	–
HK Props		92	7.0	Q87.1c	–	Feb Sep	10/93	–
SASOL	♥	489	1.2	Q78c	–	Oct	9/93	–
SA Brews		£22xd	3.5	Q288c	2.1	Jun Dec	27.11	–
Standard Bank	☐	£28¼	4.4	Q284c	3.1	Sep Mar	–	–
Tiger Oats		1183	7.8	Q108c	ф	Jan Aug	19.6	–
Tongaat-Hulett	†	972	9.6	Q110c	2.7	Jan Jun	15.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "N" is shown *in the Notes field, indicating that the cover is calculated on a "nil" basis.* Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 21.4(a)(v) Overseas incorporated companies listed on an approved exchange
- ♣ *Free annual/interim report available, see details below*
- ⁑ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) less incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and or rights issue; cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress
- £ Forecast dividend; cover based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Annualised dividend. *b Figures based on prospectus or other official estimates.* c Cents. *g Assumed dividend.* *h Assumed dividend after scrip issue.* m Interim higher than previous total. n Interim to date. p Figures based on prospectus or other official estimates. s Dividend excludes a special payment. t Indicated dividend cover relates to previous dividend. *u Forecast, or estimated annualised dividend* rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. *z Dividend includes a special payment. Cover does not apply to special payment.* F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend. J Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. *R Forecast annualised dividend, cover based on prospectus or other official estimates.* W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: European Mining Fin** (*Extractive Inds*), **Guinness Flight Extra Inc, Do Wrts, Do Prf** (Inv Tsts Split Cap), **Northern Venture** (Other Fin), **Chartwell Intl, Intl Greetings** (AIM). **Deletions: South Wstn Elec** (Elec), **Arjo** (Hlth Care), **HK Wrts** (Inv Trusts), **Cheam A, Do B** (Water), **Graduate Appts** (AIM).

♣ FT Free Annual Reports Service

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Both Annual Reports and FT Company Focus are available from the above number.

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Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest *survey of City profit forecasts and investment recommendations*, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £5.45

To order, call 0121 200 4678.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close December 1

[illegible]

Continued on next page

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4 pm close December 1

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. [illegible] u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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AMEX COMPOSITE PRICES

4 pm close December 1

NASDAQ NATIONAL MARKET

4 pm close December 1

FT GUIDE TO THE WEEK

MONDAY 4

Russia and China at WTO

Negotiations on Russia's bid to join the World Trade Organisation resume in Geneva (to Dec 6). On Thursday and Friday, there will be talks on China's longstanding membership application. China hopes its tariff-cutting initiative announced last month will speed its WTO entry after nine years of haggling, but trading partners are still predicting "a long wait ahead".

EU foreign ministers meet

European Union foreign ministers meet in Brussels (to Dec 5) to discuss reconstruction aid to Bosnia and relations with the former Yugoslavia. Ministers will also be preparing for the EU summit in Madrid on December 15-16 and considering relations with Switzerland.

Çiller visits Bonn

Tansu Çiller, Turkey's prime minister, arrives in Bonn hoping for further support from Germany just weeks before her country is due to join a customs union with the European Union on January 1. Germany is home to 1.9m Turks, the largest group outside Turkey, and Mrs Çiller will be meeting a number of other senior politicians and the foreign affairs committee of the Bundestag.

Kuchma in China

President Leonid Kuchma of Ukraine begins a four-day visit to China. Mr Kuchma, on a second Far East trip this year, wants to strengthen his country's economic links with Asia's developing states. China is Ukraine's second largest trading partner, after Russia.

FT Survey

International Fund Management.

Holidays

Ghana, New Zealand, Tonga.

TUESDAY 5

Nato meeting in Brussels

Nato foreign and defence ministers begin a two-day meeting in Brussels as the alliance starts implementing its biggest ever military mission, the deployment of a 60,000-strong peace force in Bosnia. The ministers will also endorse Javier Solana, the Spanish foreign minister, as the new secretary-general of Nato, ending a period of recrimination over the alliance's vacant top political job.

Maritime transport talks

World Trade Organisation members hold talks in Geneva on liberalisation of maritime transport (to Dec 8) which are due to conclude next June. The stalled talks have been overshadowed by a row over a new US law which gives US-flag ships exclusive rights to transport Alaskan oil.

Gore visits S Africa

Al Gore, US vice-president, meets Thabo Mbeki, South Africa's deputy president, in Pretoria to sign four agreements under the umbrella of the bi-national commission set up last year in Washington. The agreements will cover economic and technical assistance, youth training, a US peace corps programme in South Africa, and science, energy and technology.

Mr Gore will be accompanied by Ron Brown, the commerce secretary, Hazel O'Leary, energy secretary, and Bruce Babbitt, interior secretary, who will hold talks with their South African counterparts. South African officials are also keen to discuss gaining better access to US markets, especially for agricultural produce.

Havel in Hiroshima

President Vaclav Havel of the Czech Republic delivers the keynote speech at a conference on The Future of Hope in Hiroshima, Japan. The conference marks the close of a year of commemorations marking the 50th anniversary of the dropping of atomic bombs on Hiroshima and Nagasaki.

Moves on the ozone layer

An environmental conference to mark the 10th anniversary of the Vienna convention, which led to a ban on CFC gases in aerosols, takes place in the Austrian capital (to Dec 7). The meeting will look at ways of saving the ozone layer and accelerating the phasing-out of ozone-depleting substances. Developing countries will be seeking aid from rich countries as the price for agreeing to tighter controls.

Rugby

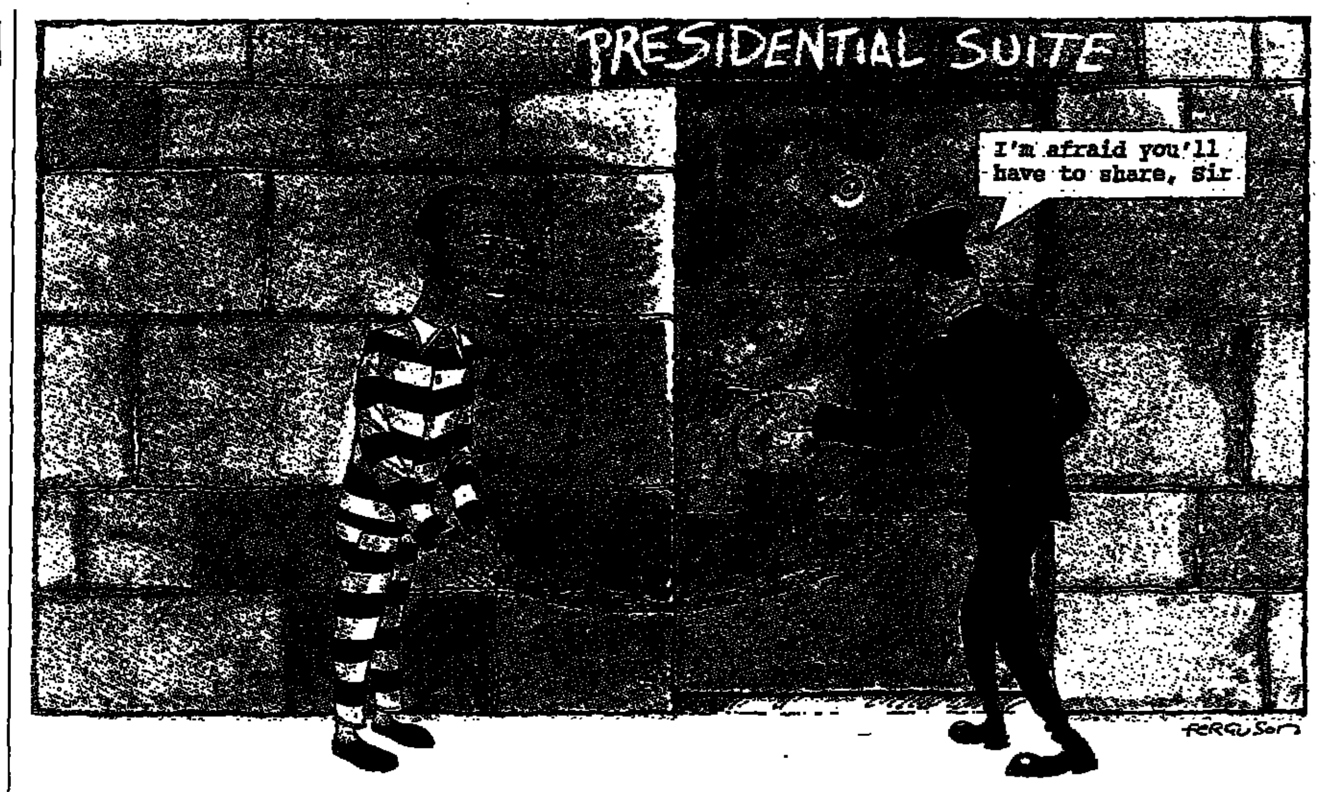
Oxford meet Cambridge for the annual Varsity Match at Twickenham, London.

FT Surveys

Defence Industries and Energy Efficiency.

Holidays

Haiti, Thailand.



Chun Doo Hwan, the second ex-president of South Korea to be arrested in recent weeks, languishes in prison charged with leading a mutiny

WEDNESDAY 6

Dini in talks with Major

Italy's Prime Minister Lamberto Dini meets UK Prime Minister John Major in Florence. High on the agenda will be Italy's forthcoming presidency of the EU which transfers from Spain on January 1. On Friday Mr Dini is scheduled to hold talks with the president of the European Commission, Jacques Santer.

Saleroom

Rembrandt's "Cupid Resting" is the star lot in a sale of Old Master paintings from the collection of Baroness Gabrielle Bentinck at Sotheby's in London. This is an early work and is unusual in being universally accepted as by the hand of the master. Bids of up to £5m ($7.9m) are expected. The baroness is the sister of Baron Thyssen, and with him inherited many paintings, including the Rembrandt, from their father, the great industrialist and collector Baron Heinrich Thyssen-Bornemisza de Kaszon.

FT Surveys

FT Guide to Information Technology and Indian Software.

Holidays

Ecuador (Quito only), Finland (Independence Day), Spain, Sri Lanka.

THURSDAY 7

Franco-German summit

President Jacques Chirac and Chancellor Helmut Kohl meet in the resort town of Baden-Baden for the 66th Franco-German summit. They will be hoping to further co-ordinate their positions ahead of the Madrid summit of EU leaders on December 15-16 and next year's intergovernmental conference. The talks may well be overshadowed by the on-going French nuclear tests. The strikes crippling France at the moment are also likely to unsettle the Germans.

OSCE confers in Budapest

Foreign ministers from the 53-nation Organisation for Security and Cooperation in Europe, grouping North America, Europe and the former Soviet republics, confer in Budapest for a review of the OSCE's efforts to bolster liberal values and prevent conflict across an area ranging from Vancouver to Vladivostok. The OSCE is expected to supervise the forthcoming elections in Bosnia.

Mercosur leaders meet

Presidents of the Mercosur customs union, which groups Argentina, Brazil, Paraguay and Uruguay, will meet in the Uruguayan holiday resort of Punta del Este. Chile's inclusion as an associate member will be under discussion. Chile is precluded from full membership of Mercosur, as it is also pursuing membership of the North American Free Trade Agreement (Nafta).

Efta scales a new peak

The four remaining members of the European Free Trade Association, Switzerland, Liechtenstein, Norway and Iceland, meet for two days in the Swiss ski resort of Zermatt. Efta will sign a free trade agreement with the three Baltic states and co-operation accords with Egypt, Morocco and Tunisia.

FT Surveys

World Nuclear Industry and FT Guide to Business in the Community (UK only).

Holidays

Armenia, Côte Ivoire, Cuba, Italy (Milan only).

FRIDAY 8

Conference on Bosnia

Foreign ministers of nations involved in the Balkan peace process gather in London for an "implementation conference" aimed at mapping out the huge reconstruction effort that will be needed if the recently sealed agreement to end the war in Bosnia is to take root. The conference will aim to identify the main problems and allocate responsibilities between governments, UN agencies, the OSCE and voluntary organisations.

Sweden's social democrats

Sweden's ruling Social Democratic party has set today as the deadline for revealing who will stand for election to succeed Ingvar Carlsson as prime minister and party leader when he retires in March. The withdrawal of previous favourite Mona Sahlin, after allegations that she used government credit cards for private spending, has left the party in confusion. No clear replacement has emerged, although speculation has focused increasingly on Jan Nygren, minister of government co-ordination.

Tankan survey

The Bank of Japan is due to unveil its Tankan quarterly survey of business conditions, the most authoritative barometer of the short-term economic outlook, used by the authorities to gauge monetary policy. Economists expect the survey to register a slight improvement in business confidence. In response, the BOJ is thought likely to leave its official discount rate unchanged at the record low of 0.5 per cent, achieved in early September.

US abandons speed limit

From midnight tonight, the US is to abandon its nation-wide 55mph (89kph) speed limit imposed by the federal government in 1974 in response to the oil crisis. States will be free to set or not to set their own speed limit. The move is part of a transport bill approved by President Bill Clinton, although he is said to have been reluctant to agree to it. It is seen as a victory for Republican congressmen eager to devolve power from central government to the states.

Mastering Management

The seventh of the FT's 20-part series appears in the UK edition. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XE, UK. Tel: +44 181 770 9772, Fax: +44 181 643 7530.

Cricket

The first Test between Australia and Sri Lanka begins in Perth.

Football

Quarter-final draws for the European Cup Winners' Cup and the UEFA Cup. In the Cup Winners' Cup the remaining big names are Paris St Germain and Parma, with Dynamo Moscow and Deportivo La Coruna possible outsiders.

FT Survey

Sweden.

Holidays

Andorra, Argentina, Austria, parts of Brazil, Chile, Colombia, Costa Rica, Italy, Liechtenstein, Nicaragua, Panama, Paraguay, Peru, Portugal, Spain.

SATURDAY 9

Mass vaccination in India

An estimated 75m children in India, under the age of four, will be vaccinated against polio today. It will take 2m workers at 400,000 centres to distribute the vaccine to each child.

Sport

Start of the 18th South-East Asia Games, Changmai City, Thailand (to Dec 17).

FT Survey

A-Z of Personal Finance (UK only).

SUNDAY 10

Nobel prizes are awarded

The winners of the 1995 Nobel prizes receive their awards, as every year, on the anniversary of the death of Alfred Nobel, the Swedish chemist and industrialist, 99 years ago. In Stockholm, where all but the peace prize are awarded, the government has leant on the Nobel committee not to invite any representatives of the French government to the ceremonies as part of Sweden's relentless protests against nuclear testing in the south Pacific. The peace prize is awarded in Oslo.

Compiled by Patrick Stiles and Liisa Rohumaa. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Tuesday: The debate about the slowdown in growth in the world economy is likely to be revived again this week with the publication of Japanese third-quarter GDP. Most economists expect the data to point to a further contraction of the Japanese economy.

German industrial production data is also due in the middle of the week, and expected to show a monthly decline in output in October.

Wednesday: Manufacturing data in the UK will be scrutinised for signs of destocking. Most observers expect activity to rebound slightly in October after September's decline.

In Italy, consumer price data will be watched closely, following the recent upsurge in inflation.

Thursday: German third-quarter GDP data are likely to paint a flat quarterly growth profile.

In the US, factory orders are expected to show some fresh slowing in October.

Friday: The non-farm payrolls data in the US will be watched for clues about the state of US economic activity. Many economists expect it to point to a further acceleration in job growth.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Nov official reserves	-$100m	-$186m
Dec 4	UK	Nov M0*	0.4%	0.3%
	UK	Nov M0**	5.4%	5.2%
Tues	Canada	Nov change in foreign reserves	-	-C$0.5bn
Dec 5	N Z'land	3rd qtr producer price indx inputs***	0.1%	0.1%
Wed	US	Oct construction spending	0.5%	1.2%
Dec 6	US	Oct leading indicators	-0.3%	-0.1%
	Japan	Oct current a/c (IMF)	$5.5bn	$8.9bn
	Japan	Oct trade balance (IMF)	-	$11.2bn
	Japan	Oct foreign bond investment	-	-$0.7bn
	UK	Oct manufacturing output*	0.2%	-0.6%
	UK	Oct manufacturing output**	0.8%	0.6%
	UK	Oct industrial production*	0.1%	0.5%
	UK	Oct industrial production**	1.2%	0.7%
	Italy	Nov official consumer price indx*	0.5%	0.5%
Thur	US	Oct factory orders	-0.5%	1.5%
Dec 7	US	Oct factory inventories	-	0.6%
	US	Initial claims w/e Dec 2	370,000	-
	US	Oct consumer credit	$6.9bn	$5.4bn
	Germany	3rd qtr gross domestic prod, West**	1.8%	2.1%
	Germany	Ditto, pan-Germany***	0.1%	1.1%
	Germany	Nov unemployment, West†	0.0K	-2,000
	Germany	Aug employment, West†	-20,000	-9,000
	Germany	Nov vacancies, West	-2,500	-7,000
	Italy	Oct ex-EU trade balance	L1.5Tr	L1.3Tr
Fri	US	Nov non-farm payrolls	160,000	116,000
Dec 8	US	Nov manufacturing payrolls	-5,000	-21,000
	US	Nov hourly earnings	unch	0.5%
	US	Nov average workweek	-	34.7
	US	Nov unemployment rate	5.6%	5.5%
	US	Rev gross domestic prod (1959-92)	-	N/A
	US	Oct new home sales	720,000	727,000
	US	Dec Michigan sentiment prelim	-	88.2
	US	Oct wholesale trade	-	0.5%
	US	Oct home completions	-	1.23m
	Japan	Nov Tankan diffusion indx, manuf'g	-16%	-18%
	Japan	Ditto, non-manufacturing	-25%	-28%
	Japan	1995 Tankan capital spending	3.2%	3.0%
During the week...				
	Japan	3rd qtr gross domestic prod†	-0.5%	3.1%
	Germany	Oct industrial production, West*	0.0%	-0.5%
	Germany	Ditto, pan-Germany*	0.5%	-1.9%
	Germany	Oct manufacturing output, West*	-0.3%	-0.5%
	Germany	Sep trade balance	DM6.0bn	DM7.7bn
	Germany	Sep current a/c	-DM3.5bn	-DM4.7bn
	Germany	Nov fnl cost of living, pan-Germany*	0.0%	-0.1%
	Germany	Nov fnl cost of living, pan-Germany**	1.7%	1.8%
	Germany	Oct final orders, West*	0.5%	1.6%
	Germany	Oct final M3 (4th qtr '94)	-	1.8%

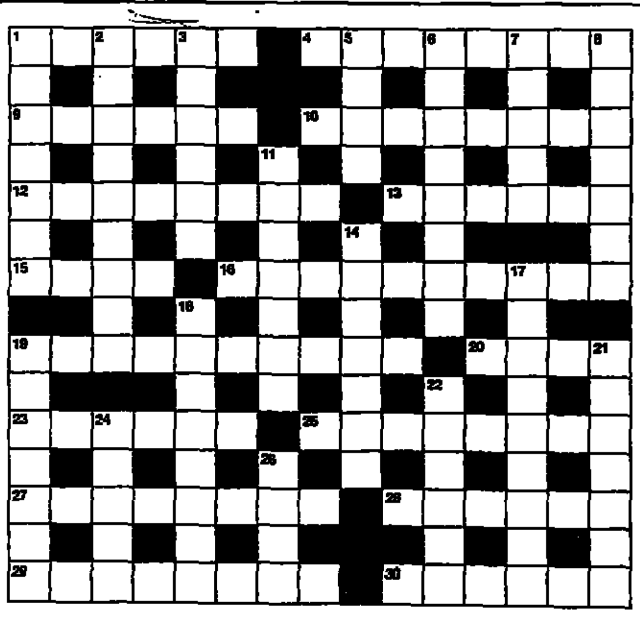
*month on month, **year on year, ***qtr on qtr, †seas adj *Statistics, courtesy MMS International.*

ACROSS

1 Brush off and polish again (6)
4 Moved camp (8)
9 Eric goes wild about the French girl (6)
10 He trades in a French sea-shanty (8)
12 Came – with servants? (8)
13 Field the ball (6)
15 A divided populace in Biblical land (4)
16 They set an example for their followers (10)
19 Haricot-beans, for example, not for starters (3-7)
20 Floppy disc – I'm into that (4)
23 Trails used by tanks (6)
25 Gill takes a brief rest (8)
27 In some danger of finding fault (8)
28 Journey without purpose (6)
29 Barnaby put in uninteresting and tedious work (8)
30 Like laughter of the earthy variety? (6)

DOWN

1 Recover – it could be a miracle (7)
2 Main line transport? (4-5)
3 Discharging with or without a gun (6)
5 Understand head of finance goes over the charges (4)
6 Prank ceased being funny when father came in (8)
7 Record start of the event (5)
8 Turns red, this shows uncertainty (7)
11 Sporting a new rig out (7)
14 Batsmen who hit five fours? (7)
17 Close acquaintance (9)
18 As it grows up it grows down (8)
19 Seen by the critics? (7)
21 Talk about a point raised by a nurseryman (7)
22 Man on board in a defensive situation (6)
24 Final word from new aide to union-leader (5)
26 Sunny with strong wind (4)



MONDAY PRIZE CROSSWORD

No.8,935 Set by DANTE

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday December 14, marked Monday Crossword 8,935 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday December 18. Please allow 28 days for delivery of prizes.

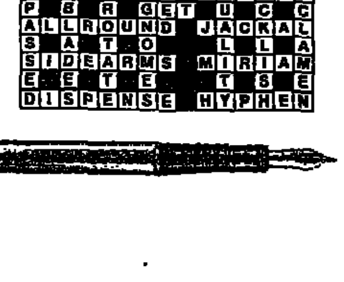
Name...

Address...

Winners 8,923

John Horan, Belfast
Miss D. Holt, Kirkham, Preston
A.C. Chitnis, Southampton
P. Creber, Tiverton, Devon
K.M. George, Croydon
M.R. Chevassut, Healaugh, North Yorks.

Solution 8,923



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